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West Europe Report

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23 SEPTEMBER 1986

WEST EUROPE REPORT

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POLITICAL

CYPRUS

BRIEFS

CULTURAL AGREEMENT WITH PRC--Kipros Psillidhis, director of the PRESS AND INFORMATION OFFICE, has gone to the People's Republic of China at the invitation of XINHUA to sign an agreement for cooperation between the PRESS AND INFORMATION OFFICE and XINHUA. The 3-year agreement will be signed within the framework of the program for cultural cooperation between Cyprus and PRC for the years 1986-1987. [Text] [Nicosia Domestic Service in Greek 1630 GMT 18 Aug 86 NC] /12913

CSO: 3521/223

POLITICAL

FRANCE

CARREFOUR SCANDAL TARNISHES SOCIALIST PARTY

Paris LIBERATION in French 30 Jul 86 p 5

[Article by Nicolas Beau: "Nucci Trapped, PS Tarnished, by Carrefour Scandal"; first paragraph is LIBERATION introduction]

[Text] Financing the election campaign with public funds and false invoices: following the revelations of Yves Chaliier, the revelations of the printer Daniel Ronjat have overwhelmed former cabinet minister Christian Nucci. Nucci is caught up in the scandal, and the Socialist Party is having difficulty remaining aloof.

The most recent revelations in the Carrefour Development scandal have dealt a crushing blow to former Minister of Cooperation Christian Nucci. Nucci, in effect, used public funds to finance his election campaign in Isere Department. The former minister's printer, Daniel Ronjat--who has, moreover, been charged with embezzlement, breach of trust, and forgery--did in fact disclose to LYON-MATIN that he had received approximately 100,000 francs from the association known as French Promotion, which is financed by subsidies from Carrefour Development and was founded by Christian Nucci's former chief administrative aide, Yves Chaliier, currently a fugitive.

The former socialist minister had always sworn by all that is holy that he had not received a cent from Carrefour Development, and technically that was true. His line of defense appears today to be not only weak but pathetic: "When we were looking for funds for my election campaign," he told AFP, "French Promotion asked me if it could participate. Inasmuch as French Promotion is a private association funded by private sources, I agreed."

It was not until June--and because of the revelations of the investigation--that the former minister apparently "learned" that French Promotion was financed by public funds, whereupon he asked his printer last 21 June to reimburse the association.

Will the dishonor of Christian Nucci rub off on the Socialist Party? That is what the PS may well fear--so much so that Gilbert Bonnemaïson, treasurer of the socialist group in the National Assembly, deemed it essential to explain his position yesterday afternoon at a press conference that preceded a private lunch with Jean-Louis Bianco, general secretary of the Elysee. The Socialist

Party, in effect, is indirectly involved because in late June--at the request of the former minister--it reimbursed the printer of Beaurepaire, Isere Department. Bonnemaïson confirmed that he had paid 99,060.65 francs to Ronjat, the printer of Beaurepaire commune, of which the former minister is mayor.

The treasurer argued on Tuesday that he had acted in good faith, alleging that Nucci had told him only of the "end-of-campaign problems" he was having in paying his printer. He had advised Bonnemaïson and Pierre Joxe directly, and they apparently took him at his word. "I lent this sum to Christian Nucci out of the funds in the group's treasury," Bonnemaïson declared, "just as I have had occasion to do, in exceptional cases, for deputies who were faced with cruel and unforeseen family problems or other problems; and he is pledged to repay me in accordance with a precise schedule of payments."

Following the Tuesday meeting, Jean Anciant--spokesman for the Assembly group--again took up the official line. "No deputy of the group has asked to intervene in this matter, which does not call for any particular attention," he said. "Clearly," a socialist deputy confides, "everyone was astounded to learn that the group grants this kind of loan, and the reaction will not be long in coming."

The fact remains that in late June--given the progress made in the Carrefour Development case--the curiosity of the PS leaders may well have been whetted, all the more so because since last May suspicion has been voiced openly at the Elysee that Christian Nucci had financed his campaign with public funds.

The statements made by Ronjat yesterday morning at Lyon--and reprinted by AFP--implicate Christian Nucci on a second point. The former minister of cooperation allegedly asked his printer to make out false invoices to OFRES, a company with PS connections that publishes municipal bulletins. This company--which has been in the process of liquidation since 29 April--was one of the two "official" paymasters of his election campaign (the other is French Promotion).

"The total of these invoices--some 320,000 francs--represents work that was actually done," Daniel Ronjat said, "but the wording is not accurate. I made various posters, tracts, and documents in large quantities for Mr. Nucci's campaign. When it came time to make out my invoices, I was asked to follow a different procedure in the case of work that had not been done."

That is what happened in connection with the preparation of 20,000 copies of the BULLETIN DE VIENNE; 47,000 copies of the COURRIER DU RHONE-ALPES; 10,000 Bourgoin guidebooks; and 12,000 Romans municipal guidebooks--the precise number of publications that were in reality printed in an Avignon printing establishment, the PSP, located in the industrial zone of Courtine, and also the precise number of false invoices that led to the indictment of the printer last Wednesday. "To destroy an electrical installation," Ronjat added, "you begin by blowing the fuses. I'm a very small fuse." Louis Mermaz, former president of the National Assembly, who was implicated by Yves Chaliier in his interview in FIGARO-MAGAZINE, confirmed that the BULLETIN DE VIENNE and the COURRIER RHONE-ALPES are regularly printed at the PSP.

An entirely different version, however, is offered by Christian Nucci, who explained that his parliamentary attache had been in contact with the printer to have him make up a number of posters but not to settle accounts. For this he has a bizarre explanation: "OFRES and the printer subsequently attempted to reach an agreement on a formula for settlement, and I was not informed." For a man who was paying his election campaign photographer out of his own pocket, he certainly does not display much curiosity. One question remains in connection with this version of the story: Who paid OFRES to finance Nucci's campaign?

Whether true or false, the invoices made out by Christian Nucci's printer--both to French Promotion and to OFRES--in any case total approximately 400,000 francs. It is the very same figure that Yves Chalié had given--in June, in his letter to Michel Aurillac--to indicate the total misappropriated from Carrefour Development to pay for election posters. The investigators eventually recovered checks--endorsed by Christian Nucci--totaling approximately 400,000 francs. Everything appears to indicate that a sum of that order was indeed diverted to electoral purposes: a modest sum, moreover, by comparison with the 20 million francs that had disappeared.

Christian Nucci claims to be in possession of new documents that reveal "important movements of funds." These documents--the former minister alleges--contain a dozen false signatures. It is a poor defense from the standpoint of the question of the day--his election campaign; and the local residents know with what care the former minister has managed that campaign. Yves Chalié, by his own admission, never concerned himself with election posters. The entire responsibility for these infractions relating to the 1986 election campaign would seem to revert to Nucci--and to him alone.

Hernu and Fabius Ready To Go Into Battle

During the meeting of the socialist group in the Assembly yesterday, Charles Hernu and Laurent Fabius both expressed the hope that the PS will readopt, "beginning with the reopening of Parliament, a general posture of combat" in response to the attacks that have implicated the PS in "scandals" such as the Carrefour Development affair. Christian Nucci, for his part, did his best to deal with the insistent questions of Claude Serillon at 2000 hours on A2. "I am relaxed, I am calm, and I am able" (to respond to the attacks), the former minister declared. He proclaimed himself ready to respond to any and all questions from an examining magistrate.

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CSO: 3519/231

POLITICAL

GREECE

TRENDS, PREDICTIONS FOR MUNICIPAL ELECTIONS

Parties' Relative Strength Compared

Athens TO VIMA in Greek 10 Aug 86 pp 2-3

[Article by I. K. Pretenderis]

[Excerpt] A comparison of the results of the 1981 and 1985 parliamentary elections can give us specific indications about the parties' possibilities in the municipal elections next October.

New Democracy's margins in this type of election are rather restricted. Given that it does not have "votes in reserve" for the second round (something which is not valid for PASOK and the Left), ND's ambitions--aside from generally upsetting the wider correlation of political forces--are meager.

In the 1981 parliamentary elections, it took more than 50 percent of the votes in only 49 (out of approximately 300) municipalities in Greece. In another 34, its share fluctuated between 45 to 50 percent, which allows it (theoretically, at least) certain hopes about the mayoralty.

In the same elections, PASOK took more than 50 percent in 56 municipalities; therefore, here it does not differ essentially from ND. In another 85 municipalities, however, its share fluctuated between 45 to 50 percent. In 250 of Greece's municipalities, PASOK together with the Left had the majority.

Beyond the significance of the electoral result, municipal elections develop, as a rule, into a "battle of impressions." And the impressions will be decided mainly by the country's largest municipalities. For this purpose, we have chosen the ten largest city municipalities in Greece (Chart 1) and the ten largest municipalities in the second electoral district of Athens and Piraeus (Chart 2).

In these 20 municipalities PASOK saw its percentage decrease from 1981 to 1985. In four cases (Volos, Kavala, Nikaia, Nea Ionia) this decrease is very small, less than a point.

In nine cases, however, (Athens, Patra, Piraeus, Ioannina, Aigaleo, Zografou, Ilioupoli, Nea Smyrni and Peristeri) PASOK lost more than four percentage points; in other words, it had higher losses than that on a national level.

In the 20 large municipalities, the drop in the KKE's electoral strength between 1981 and 1985 is often impressive (maintaining the analogies, of course). It managed to increase its strength in only one case (Ioannina). In all the other cases, the decrease in its electoral strength is greater by far than the corresponding decrease in its national percentage. In nine municipalities, it surpasses three percentage points.

A result of this combination of ND rise/KKE fall is that, in the municipalities in the second electoral district of Athens and Piraeus, ND is now firmly and clearly the second party despite the fact that its percentages still fluctuate at relatively low levels. In 1981, the KKE was the second party in five of the area's municipalities (Keratsini, Nikaia, Aigaleo, Nea Ionia, Peristeri). ND succeeded in covering the difference, even in municipalities where this difference was especially large (nine points in Nikaia, five points in Nea Ionia), something which may harbor problems for the presence of KKE candidates in the second round of municipal elections.

From another aspect, it should be pointed out that the drop in the KKE's electoral strength is especially apparent in the municipalities where it traditionally had a strong influence: Nikaia, Nea Ionia, Volos, Keratsini. This tendency is of interest because it indicates that in the October municipal elections, the KKE will be starting out from significantly lower percentages in comparison with 1982, which possibly augurs unpleasant surprises for the People's House.

Of course, it can be argued contrary to this that "the KKE has many good elected mayors and their work will count at the moment of voting." Even if such a thing happens in the future, the sure thing is it did not happen in the past--and, in fact, in last year's parliamentary elections.

Charts 3 and 4 show the municipalities in the second electoral district of Athens and Piraeus with communist and non-communist mayors. It seems clear that in the municipalities with a communist mayor, the decrease in the KKE's electoral result is, as a rule, greater.

If we wish, in fact, to measure this "first impression," we find that:

1. In the municipalities with a non-communist mayor, the KKE loses, on an average, 2.16 percentage points.
2. In the municipalities with a communist mayor, the KKE loses, on an average, 3.33 points--30 percent more.

In addition, the KKE's greatest drop is observed in its traditional "municipal strongholds": 5.83 points in Nikaia, 5.01 points in Nea Ionia, 4.79 points in Tavros, 4.77 points in Kaisariani, 4.53 points in Keratsini, etc.

Contrary to the KKE, in the 20 municipalities in Charts 1 and 2, the KKE Interior's electoral strength is increased. This increase goes from minute up to greater than the half a percentage point it gained between 1981 and 1985 on a national level. Despite the rise, however, it managed to surpass three percent in only nine of the twenty municipalities. Of the nine, only one (Ioannina) is in the provinces.

CHART 1

PARTIES' STRENGTH IN TEN LARGEST MUNICIPALITIES
IN GREECE

	PASOK		ND		KKE		KKE(INT)	
	1981	1985	1981	1985	1981	1985	1981	1985
Athens	44.25	39.77	34.42	44.02	12.63	10.58	3.24	4.35
Salonica	48.11	42.85	35.81	44.53	11.29	8.63	2.37	3.04
Patra	53.40	49.30	27.24	34.40	14.48	13.21	1.67	2.13
Irakleion	58.22	57.50	18.89	28.08	13.42	8.99	1.50	2.13
Piraeus	49.36	44.73	31.24	40.59	13.72	10.62	2.11	2.87
Larisa	48.58	43.15	31.19	38.20	17.97	15.37	1.47	2.28
Volos	46.98	46.06	27.91	34.59	19.68	16.11	1.97	2.14
Ioannina	43.88	58.48	38.22	40.83	13.81	15.61	2.10	3.05
Kavala	50.92	50.24	31.28	36.71	13.20	9.94	1.95	1.98
Serres	45.73	43.53	38.82	44.67	11.15	8.57	1.53	1.83

CHART 2

PARTIES' STRENGTH IN TEN LARGEST MUNICIPALITIES
IN SECOND DISTRICT OF ATHENS AND PIRAEUS

	PASOK		ND		KKE		KKE(INT)	
	1981	1985	1981	1985	1981	1985	1981	1985
Keratsini	53.68	51.65	20.68	28.12	20.73	16.20	2.21	2.74
Nikaia	48.34	48.90	18.18	25.44	28.14	22.31	2.35	2.88
Aigaleo	52.70	48.48	21.15	28.65	21.37	18.98	2.19	2.88
Vyronas	47.78	49.20	25.95	33.73	19.37	18.14	3.08	4.00
Zografou	47.63	42.88	29.56	38.76	15.03	13.19	3.08	4.08
Ilioupoli	51.42	48.40	23.81	32.68	18.42	16.31	2.68	3.58
Kallithea	48.27	44.98	27.96	36.90	16.06	13.11	2.93	3.79
Nea Ionia	47.91	47.89	20.85	28.08	25.72	21.71	2.87	3.86
Nea Smyrni	46.13	42.41	30.51	39.31	13.68	11.47	4.60	5.53
Peristeri	50.88	46.92	21.34	28.44	22.72	20.55	2.29	2.98

Conversely, ND is on a rise everywhere. The smallest increase in its percentage is seen in Ioannina, but its gains are usually impressive: in 14 cases, from 7 to 10 percentage points.

However, even though ND appears to have an upward dynamics on its side, in most cases its electoral result remains relatively weak. In 15 of the 20 municipalities, it received less than 40 percent, while in 10 it took under 35 percent. It is the leading party in only three municipalities (Athens, Salonica, Serres).

These cases are the only ones among the 20 largest municipalities in Greece where ND can hope it is possible to elect a mayor. Next in line are Piraeus and Ioannina where Andrianopoulos and Georgiadis, if they want to be elected, will have to improve ND's 1985 electoral result by 10 percentage points.

CHART 3

KKE ELECTORAL STRENGTH (Municipalities
in Athens and Piraeus Second Districts
with a Non-KKE Mayor)

	B81	B85	Difference
Agia Paraskevi	13.08	10.51	-2.57
Agios Demetrios	16.98	14.76	-2.12
Aigaleo	21.37	18.98	-2.37
Alimos	12.44	10.50	-1.94
Amarousion	11.80	10.22	-1.58
Argyroupolis	16.97	14.81	-2.16
Galatsi	18.36	16.71	-1.65
Dafni	16.25	13.57	-2.68
Zografou	15.03	13.19	-1.84
N. Irakleion	17.95	16.28	-1.67
Moskhato	13.14	10.58	-2.56
N. Smyrni	13.68	11.47	-2.21
P. Faliro	9.52	7.69	-1.83
Peristeri	22.72	20.55	-2.17
Ymittos	18.98	15.27	-3.69
Khalandri	13.23	11.26	-1.97
Kholargos	15.79	11.92	-3.87
N. Liosia	17.40	15.79	-1.61
Khaidari	17.91	18.12	+0.21
Rendis	15.76	12.91	-2.85
Drapetsona	23.31	19.57	-3.74
Rerama	15.08	13.82	-1.26
Salamina	4.76	3.28	-1.48

CHART 4

KKE ELECTORAL STRENGTH (Municipalities
in Athens and Piraeus Second Districts
with a KKE Mayor)

	B81	B85	Difference
Agia Varvara	22.34	19.36	-2.98
Vyronas	19.37	16.14	-3.23
Ilioupoli	18.42	16.31	-2.11
Kaisariani	29.62	24.85	-4.77
Kallithea	16.06	13.11	-2.95
Kamatero	19.29	19.31	+0.02
Nea Ionia	25.72	21.71	-5.01
Nea Filadelfeia	20.51	17.89	-2.62
Petroupoli	23.62	21.06	-2.56
Tavros	25.84	21.05	-4.79
Elliniko	23.59	21.28	-2.31
Keratsini	20.73	16.20	-4.53
Korydallos	19.12	16.16	-2.96
Mikaia	28.14	22.31	-5.83

CHART 5

KKE (Municipalities in Which It Took
Over 20 Percent in 1985 Parliamentary
Elections)

	B85	B81
ATTIKI		
Kaisariani	24.85	29.62
Nikaia	22.31	28.14
Nea Ionia	21.71	25.72
Elliniko	21.28	28.59
Melissia	21.10	20.31
Petroupoli	21.06	21.82
Tavros	21.05	25.84
Pagisteri		22.72
REST OF GREECE		
Eressos, Lesvos	39.00	48.07
Agia Sofia, Lesvos	39.00	40.92
Agios Kirykos	33.58	33.58
Skopelos	28.42	28.10
Tyrnavos	27.43	31.82
Polykhaitos	24.68	32.10
N. Ionia, Volos	23.05	25.22
Arkhanes Ir.	22.68	22.57
Mithymna	21.58	20.02
Polikhni	20.43	21.37
Mytilini	20.38	25.73

CHART 6

KKE(INT) (Municipalities in Which It Took
Over 4 Percent in 1985 Parliamentary
Elections)

	B85	B81
ATTIKI		
Filothel	6.12	4.38
Nea Smyrni	5.58	4.60
Pal. Psykhiko	5.36	4.15
Papagou	5.30	3.52
Kaisariani	5.22	8.00
Kholhrgos	5.19	3.88
Athens	4.35	3.24
Khalantri	4.21	3.07
N. Psykhiko	4.20	2.56
Zografou	4.08	3.08
P. Faliro	4.02	3.05
Vrionas	4.00	3.08
REST OF GREECE		
Agios Kirykos	5.77	5.94
Pyli, Trikala	5.65	3.60
Levkada	4.97	3.60
Methymna, Lesvos	4.87	1.86
Igoumenitsa	4.57	3.02
Methana	4.18	2.33

Where is the KKE Interior's electoral strength, however? Chart 6 contains the 18 Greek municipalities where in last year's elections the KKE managed to collect a share greater than four percent.

Ten of these are in the area of the capital; only six are in the provinces. As concerns the former, the KKE(Int) appears particularly strong in large and medium-sized urban areas (Filothei, Palaio Psykhiko, Kholargos, Kalandri, Neo Psykhiko, Papagou, Palaio Faliro, Nea Smyrni, Zografou) and in Athens itself. Only two people's areas (Kaisariani, Vyronas) are included in its "spearhead municipalities." As concerns the municipalities in the provinces, four are in traditionally leftist areas: Lesvos, Levkada, Ikaria, Thessalia.

All these denote a clear differentiation of the KKE Interior's electoral body from that of the KKE. In Chart 5 we present the 19 municipalities where the KKE took more than 20 percent of the votes in 1985.

Here the "regional proportions" are reversed: Eight are in the area of the capital and eleven are in the provinces (five are in Lesvos!). Included in the former are the traditional people's areas of the capital: Kaisariani, Nikaia, Nea Ionia, Peristeri, Tavros.... As concerns the latter, the overwhelming majority of municipalities are also in the traditional "red areas": Lesvos, Thessalia, Ikaria....

What is also characteristic is that, if one compares the KKE's "spearhead municipalities" with those of the KKE(Int), he finds only three common points: Kaisariani, Agios Kirykos and Mithymna, Lesvos.

No Polarization Tactics

Athens I KATHIMERINI in Greek 24-25 Aug 86 p 1

[Text] According to journalistic information, Kastri is getting its bearings and accepting a suggestion of Minister of Interior Koutsogiorgas and Athens Mayor D. Beis to apply in the municipal elections a tactic of "departisanship," keeping away from the polarization and division it has cultivated so successfully and productively in all the elections. These decisions do not appear to be definite, however, and a return to the old and familiar tactic is not excluded if conditions allow it, or if the PASOK leadership is persuaded about the party benefits it will eventually gain.

Three reasons above all contributed to shaping the new tactic:

First, the negative effect made on public opinion by the efforts to create an anti-right climate, as happened with the attack against the former president of the republic, K. Karamanlis. The information reaching Kastri was absolutely discouraging. Not only did the leftists not accept the arguments, but also the PASOK cadres were not willing to begin a campaign in the coffeehouses and neighborhoods to cultivate a polarizing climate. This information was what prompted the prime minister to publicly disapprove the uproar.

Second, the failure of the strike proclaimed by the GSEE [Greek General Confederation of Labor] last Wednesday, 20 August. Government factors were

discouraged because they found out that the governing faction's influence on the workers is being reduced constantly.

In Kastri they waited for the strike to note some success so they could thus spread out the devises to undermine the mobilizations.

Their failure convinced them that the road they had chosen is now closed definitely, so they must find other ways to deal with the workers' mobilizations. The first strikes are expected next month and many in the government are afraid that the strike-breaking mechanisms will not pay off.

Third, the disclosures of scandals are assuming the form of an epidemic, with unforeseen political extensions. In Kastri, they are worrying more because many ministers and other officials in the governing faction are now clearly concerned and are distancing themselves from their colleagues who are reportedly mixed up in the scandals. The stance of these ministers makes dealing with the problem more difficult because the government appears to not have a unified line on this problem which is so critical. This is also affirmed, moreover, by the stance of several pro-government newspapers which are almost systematically keeping up the issue of the scandals, throwing oil on the fire every so often.

These three reasons, along with the aggravated economic crisis, contributed to the scales tipping in favor of the departisanism of the municipal elections. Furthermore, from the beginning, Koutsogiorgas had connected polarization with the requirement of being accompanied by a tactic of favors and partiality. Since this is not allowed by the course of the economy, the only road was departisanism.

The supporters of polarization, who happen to be those having access to Kastri, do not appear to have abandoned their opinion. They have accepted not pushing polarization for now, with the hope that later conditions will be more favorable.

9247

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POLITICAL

NETHERLANDS

VVD'S NEW PARLIAMENTARY LEADER VOORHOEVE PROFILED

Amsterdam DE TIJD in Dutch 1 Aug 86 pp 8-13

[Article by Tom-Jan Maeus: "Joris Voorhoeve--A Gentleman on a Bicycle Who Has Never Failed Yet"; ellipses as in original; first paragraph is DE TIJD introduction]

[Text] At first people in the VVD Parliamentary faction viewed him as "a scholar who's made the wrong choice." Since then, this man, who is "different," seems to have gotten a reasonable--but still not perfect--mastery of political ways. Who is Prof Dr Eng J. J. C. Voorhoeve? What does he want? A visit to acquaintances and (ex) colleagues. His early embrace of D'66, his American training, and his "perfect career model." The portrait of a very ambitious professor in politics.

He is described as somebody who goes around mainly with types who are very much on the right. Prosper Ego of the Veterans' Legion is said to be one of these. "Sure, I know him," Ego says. "He's spoken to us from time to time. He's an extremely capable man. A prize for the VVD."

Does that confirm the picture? Maybe. But the picture is not right.

Fred van der Spek, former MP from the Pacifist-Socialist Party: "Yes, I've been invited to his house a few times. Along with my wife. To look at some slides he had taken when we went to China and Japan with a parliamentary delegation. He didn't have to invite me. I certainly wouldn't have been surprised if he hadn't. But it was very sociable, with a little dinner party. Van Eekelen, the new minister of defense, was there too, and the Chinese ambassador. I found it easy to talk to him personally too, you know. It was very enjoyable."

Prof J. (Joris) J. (Jacob) C. (Clemens) Voorhoeve (40) is not always easy to figure out. He has predictable sides, but also unexpected ones.

He rather has the air of a political fair-haired child, of somebody who knows more about the study of international relations than about--horrible term--"the people and the country," who has been able to produce "brilliant" scholarly work, but who seems to have had a rough time of it at first in the nest of vipers that is the Second Chamber.

For a short time now Joris Voorhoeve has been the leader of the VVD faction there. Who is he?

Some colleagues in the faction now say very positively: "Tactically, it was an outstanding choice." Nonetheless, the situation in which Voorhoeve was elected faction chairman a few weeks ago was one of disorder and panic. Almost everybody who was anybody in the VVD felt entitled to get involved in the struggle--fought out in the newspapers--over who was to get which job after the cabinet formation. Even former leader Hans Wiegel, who had been put up on a pedestal (clearly prematurely), did everything he could to get things his way. There was no end to it. Though it all had little to do with substantive differences, the knives were drawn time after time.

Until the "night of Transport and Public Works" put a (temporary?) end to the chaos in the VVD ranks. Dr Rudolf de Korte was elected the new leader ("commander"). As deputy prime minister, because he felt that was best for the party (and himself). When De Korte had gotten the VVD faction to accept that decision, there was still one question left: who succeeds Nijpels as faction chairman?

That election made for a real thriller at Transport and Public Works. After the first round the votes were tied: the (then outgoing) State Secretary of Finance Henk Koning and Joris Voorhoeve both got nine votes, MP Dr Cand Loek Hermans got three fewer. After Hermans then declared he was "not a candidate," Voorhoeve came out ahead: he was elected to be the new faction chairman with 15 votes to 10.

The decision was made, and things gradually became quieter in the VVD camp, on the outside. Internal thoughts about the fragile future of the party have far from disappeared, however. The differences within the party--which are principally of a personal nature--have by no means disappeared either. In short, a far from simple task awaits Joris Voorhoeve. Because, apart from settling the conflicts in his own house, he will also have to make himself felt outside the party too. He will have to get involved in Parliamentary debate, a part of political work that he seems to have stayed away from as much as he could so far. One advantage he may have is that opposition leader Wim Kok is even LESS experienced in leading the debate, which cannot be said of his other opponent, Hans van Mierlo. Certainly, even after the debate on the government statement this week, he will continue to hammer away at the VVD's Achilles heel, the defense of the liberal heritage.

So Joris Voorhoeve could have chosen an easier future. But that would not have been his way. And that explains a lot right there.

He took his first steps in politics at the end of the 1960's. He was most interested in D'66. He still had not completed his studies in development economics at the Agricultural University in Wageningen in 1969 when he joined the Democrats. Fellow students of his from the Agricultural University remember Voorhoeve as a somewhat retiring but "extraordinarily clever guy." Not one to party, but a student in the most literal sense of the word.

He showed himself to be a man who gets things done. In D'66 too. He became active in the party's foreign affairs committee and soon was promoted to secretary of the committee. At that time it was chaired by Dr Cand Maarten Engwirda, who was then working for the D'66 faction in the Second Chamber.

Even then it was not Joris Voorhoeve's habit to conceal his opinions. DE DEMOCRAAT, the D'66 house organ, published contributions of his regularly. Whether the subject was the position of the United Nations or the war between Nigeria and Biafra, Voorhoeve made his opinion known. Not that he revealed himself as a revolutionary: radical-progressive ideas did not occur to him back then either. We could put it even stronger: even then the 24-year-old Voorhoeve sometimes had "difficulties" with the position of the D'66 faction in the Second Chamber.

Erik Visser, at that time D'66 foreign affairs specialist in the Second Chamber: "He made a very positive impression on me at that time. He was a bright young man who matured very early. A nice, intelligent young man with high ambitions and a lot of knowledge in his head. He had views of his own, sure. He was an independent thinker."

His fellow students from back in Wageningen also remember that "independent thinking." Some claim that he "showed considerable commitment on the subject of development aid." Others were unable to see that: "Well, no, Joris was already a VVD'er to the core. It's just that he didn't know it himself yet."

After completing his studies in Wageningen in 1971 (as an engineer in the economics of agrarian development; his senior essay was on rice production in Indonesia), foreign parts called him. He chose to study further in the United States.

Many believe that Voorhoeve was in fact molded in the United States--certainly as far as his political ideas go (on which more later). He studied at Johns Hopkins University's School of Advanced International Studies in Washington. In 1972 he received his MA, and in 1974 his PhD in international relations; in 1973 he got a job at the World Bank as an economist. Among other things he worked as a speech writer for Robert McNamara, for instance when the latter had to talk about agricultural problems in the Third World. Looking back, he says in interviews that he worked in a "leftist department" at the World Bank. His "more progressive view of development aid" is said to be due in part to that.

Voorhoeve's American period brought many major changes to his life. He married the American Judith Jaffe, who would turn out to be a propelling force in his career. The couple had two sons; there were already two daughters from an earlier marriage of hers. He also turned to a different political party: his membership in D'66 ceased in 1971 and was succeeded in 1975 by membership in the VVD. In the United States, which he left in 1977, he was thrown together for a time with Kees Lunshof, who is now DE TELEGRAAF's much respected Parliamentary correspondent as well as the chairman of the Parliamentary press. The first and so far the only interview with faction

leader Voorhoeve appeared in DE TELEGRAAF and was partly from the pen of Kees Lunshof. There Voorhoeve explains his departure from D'66 as follows: "...in 1971 when the party decided to work only with the PVDA, I left."

Even so, acquaintances from his D'66 period would later help him in various ways.

He wanted to leave the United States. Dr. Gerben Ringnalda, one of those present at the creation of D'66, knew that. He told Dr. Peter Baehr, also somebody from the early days of D'66, who at that moment--this was 1977--was secretary of the Scientific Council for Government Policy (WRR).

"That's when I had a working breakfast for the first and last time in my life," Baehr explains. "I was in Washington and had an appointment with Voorhoeve. That was the working breakfast--an American habit he obviously had taken over. He acted very American for that matter. We talked about the fact that we were looking for somebody for international studies. He was very suited for that, because he was well grounded in various disciplines, and consequently he later got the job."

Voorhoeve soon occupied a special position in the WRR. Until then, research projects had just about always been conducted by members of the WRR rather than by members of the civil service staff. Even though he was a member of the staff, Voorhoeve still won a leading position. Baehr: "He made an impression. His knowledge was very extensive, and he was sure of his stuff." Was he not hindered by serious doubts, some caution? "You'd hardly say that."

His special position also resulted in his having a number of people under him. Some liked that better than others, to put it mildly. Colleagues less interested in order and neatness were often irritated at their boss's very precise attitude. "He was sometimes excessively punctual," one explains. "Actually, in that respect he's rather old fashioned. Everybody had to come on time. He expected it. He let you know it too. Well, there were some here who thought it a bit excessive. A bit too schoolmasterish." Baehr had "no trouble with Joris," he says. "I rather found him a useful counterweight to the possibly too sloppy attitude in some places. Joris is a man who says he'll have a paper ready on Monday, and he does. He also expects others to do the same. If they don't, he lets his irritation show. That's true. He makes demands, and you have to meet them. No doubt the members of the VVD faction will notice that too."

The WRR has always been viewed in The Hague as being somewhat "leftist." Did Voorhoeve fit in well in that atmosphere? Did he feel at home? "Joris never unbends," Baehr says. "He certainly won't tell you what he thinks about everything. Nor is that the way at the WRR. Scholarly findings are the thing here, not personal political beliefs. And as for his scholarly work, everybody had great respect for it. That was not in dispute."

Still, it has been said from time to time of his scholarly work--and sometimes written too--that it is outstanding to be sure, that it organizes the facts clearly and thoroughly, but that it is not really creative. Is that criticism perhaps justified? "It's true that he's not one for really daring

speculation. He's not one to take many risks. But his work is good. And you can't always say that of people who are outstandingly creative."

What does Baehr think of Voorhoeve the man? "He truly is a man with good manners. Formal and well groomed. He's not a great joker, but he does have a certain sense of humor." Is he possibly a bit vain? "Yes, he is. He certainly is that." How would Baehr characterize him in brief? "I've always been left with the picture of a gentleman on a bicycle. That's what Joris is. A gentleman on a bicycle."

His time at the WRR was brief. After just 2 years, he left in 1979, after Koos Rietkerk asked him to come provide leadership at the VVD's think tank, the Prof B. M. Telders Foundation. Baehr: "He came up to me one day to say he had been asked to do that, but that he thought he wouldn't go through with it. I have to say I hoped he wouldn't. I didn't want to lose him. I had finally gotten a staffer leading a project, and he was the very one threatening to leave so soon. So his stay with us was too short. A pity."

Baehr assumes that Voorhoeve's decision to go to the Telders Foundation was already driven by the ambition to move ahead in politics. "He told me at the time, 'I'm going to the Telders Foundation; that's primarily a scholarly institute.' But looking back, I think you could already have predicted he'd go into politics. I don't know for sure if he already had the ambition then; it could also be that he acquired the taste as he went along. But on the other hand you have to say this: his move to the Telders Foundation at that time fit perfectly into his career pattern."

He is cautious. That is his style. He feels his way, thinks things over a few times before he acts.

In the second half of the 1970's he took part fairly regularly in a "lunch club" with some foreign affairs experts in The Hague. Organizer was Dr Cand Herman Schaper, later a D'66 MP. The club had people from more than one party, although almost half were members of D'66.

The relationship between Europe and the United States, the latest developments in Poland--those are the kind of things the club discussed in an open-ended way. At some of the meetings Voorhoeve presented chapters of his later book "Peace, Profits and Principles: A Study of Dutch Foreign Policy" (published in 1979). It is typical of his style: he likes to go through things with others first, to discuss them. (All his longer works include an extensive list of names of people to whom "I owe thanks for their comments on the subject," although "of course they are not responsible for the contents," or words to that effect. Frequently recurring names are the H. Schaper mentioned above, NRC-columnist J. L. Heldring, Dr Cand J. G. Siccama of the Clingendael peace questions institute, and Prof Dr H. Posthumus Meyjes.)

"He was like that even as a young man," Erik Visser remembers. "He counts to 10 before he speaks. I believe they've been used to something different in the VVD in recent years." This observation is a frequent one. His predecessor had been secretary of a carnival band and never concealed his liking for [the satirical cartoon] "Suske and Wiske"; up to then Voorhoeve had

mainly dealt with people with at least one academic degree, for the purpose of discussing some weighty piece of scholarship.

His "Peace, Profits, and Principles," by the way, is a generally respected work--some even describe it as "brilliant." It describes and analyses Netherlands foreign policy from 1945 to 1977 and is considered the standard work for anybody interested in foreign policy. It is probably his finest scholarly work, even though he must have written it mainly in his free time.

It was viewed as simply a confirmation of his abilities when in 1980 Voorhoeve was called to the Agricultural University in Wageningen as extraordinary professor of international relations. Out of 20 applicants for the position, he was chosen unanimously.

Eng. R. Maris, secretary of the Agricultural University Fund Foundation, which created the professorship: "Of course people asked, 'Can we do that? Put somebody so vulnerable in the position?' Yes, that was connected of course with his political ideas. But afterwards we found he did an outstanding job of it. He was accepted by left and by right."

One neat detail is that when he was a student at the Agricultural University, Voorhoeve was one of those advocating the creation of the professorship that he himself was to fill some 10 years later. "He confided that to me," says an acquaintance.

His scholarly work may be unchallenged, but that is far from true of his political ideas. Political opponents like PVDA MP's Klaas de Vries and Relus ter Beek describe him respectively as a man "with a very strong anti-Soviet attitude" and as one who "would certainly not do badly as Ronald Reagan's speech writer." Nor has it escaped their CDA colleague Ton Frinking that he always "comes up with something hard-line anti-Soviet to say," just like clockwork.

How does he view the world?

He favors close European cooperation with the United States. He believes in NATO, because deterrence is the best way to maintain the balance of power and thus international security. (He prefers the English word "deterrence" to the Dutch "afschrikking" ["frightening off"] because it "means restraining and discouraging.") The balance of power is necessary because /"peace without balance and security is like the evening before a war"/ (my emphasis, T.-J. Meeus).

That strong anti-Soviet attitude appears in many pieces Voorhoeve has published. When in 1980 (at that time he was director of the Telders Foundation) he wrote an article on how schools ought to deal with nuclear weapons problems, he gave a description of his view ("a balanced look") of the United States and the Soviet Union. He did not do that, by the way, until after he had first urged secondary school teachers to teach more postwar history because there is a danger of a generation growing up /"That...is not

sufficiently critical of popular 'theories' about how all the problems of the world could be solved if 'the good,' 'the people,' or 'the progressive forces' could just have their way"/ (my emphasis, T.-J.M.).

According to Voorhoeve the United States is a "liberally oriented democracy" forming a "status quo power in a territorial sense," although it is "aims ideologically at containing communism if not forcing it back."

The "Soviet state" is in Voorhoeve's opinion "based on a collectivist, international theology of salvation that views history as a class struggle" with the goal of "liquidating capitalism," because only then will there be "stability in the international system." It is from this that "the Soviet Union's leadership derives" the right "to involve itself very intensively in matters beyond its own boundaries and to seize every opportunity to strengthen its own position."

That is what he thinks; he sees these statements as almost objective truths.

For that matter, Voorhoeve does not just commit his opinions to writing, does not just discuss them with those who agree and those who disagree in the Netherlands and elsewhere in the West. No, he is also prepared to share his opinions personally with the Soviets in Moscow.

"Not for publication" it says in the upper right of the cover of the report "Reconnoitering in Moscow," a report from a visit that a group of Netherlands paid to Moscow in October 1981. At the time the Netherlands was wrestling for the Nth (and not the last) time with the question of whether it should deploy the cruise missiles, and the second Van Agt cabinet was in the process of being formed. Along with businessman E. H. van Eeghen and Clingendael representatives H. J. Neuman and H. Hendrikse, PVDA MP Klaas de Vries, his CDA colleague Ton Frinking, and Joris Voorhoeve journeyed to Moscow to "get an impression of the positions and arguments in the USSR." The impression they got in this regard was that the Soviets' position had not changed, but even so a couple of interesting things occurred during the trip.

It is particularly interesting to recall the meeting with A. P. Shitikov, chairman of one of the two houses of the Supreme Soviet. "What was up with that Shitikov I do not know, but he began to tell us the queerest things," says one of those present. The report mentions the fact that Shitikov called Joseph Luns a "fascist" and a "nazi" and stuck to those terms even after the Netherlands side objected that investigation had proven differently. Shitikov was not at all impressed by that, according to the report, and came up with another proof of Luns' worthlessness, which he said he had acquired during a visit that former Second Chamber Chairman Anne Vondeling had paid him once. Shitikov told that Vondeling "was at Sakharov's one night," when Sakharov "handed some interesting documents and photos over" to him. The report: "Shitikov asked whether those documents and photos were of importance to the Netherlands Parliament. 'No,' Vondeling replied, 'I'll give the documents to Luns next week, and he'll be willing to pay me for them.'"

Shitikov's story made the Netherlands camp angry and indignant, with Klaas de Vries and Joris Voorhoeve protesting the most, according to one who was there.

realistic understanding of world politics." The Netherlands "is dependent for the realization of its goals on the goodwill and cooperation of larger countries, particularly our largest democratic allies." Not a revolutionary vision, but who would have expected it?

Is Joris Voorhoeve totally predictable? Oh, not at all.

A search through bookstores and libraries produces the book "Geen paniek--Bescherming tegen rampsituaties" [No Panic--Protection Against Disaster Situations]. The back of the jacket says that "this guide to protection against disaster situations arose out of concern. Concern about how few precautions are being taken against the risks humanity runs from modern industry, our society's high-tech networks, /grave international tensions/, and of course also the destruction that nature sometimes causes. Man can protect himself rationally against the consequences of these, just as practical measures are taken by the fire department, the medical and health services, and the Red Cross, as well as by ourselves!" (My emphasis, T.-J.M.). Co-editor of the book is Prof. J. J. C. Voorhoeve.

From interviews at the time of the book's publication in 1985, it appears that he is sincerely concerned about the fact that "the Netherlands is insouciant about civil defense." Speaking to the REFORMATORISCH DAGBLAD, he mentioned Switzerland as a model of what should be done; that country is approaching the ideal of one shelter space per person, he says, which costs 120 guilders a year per inhabitant. He explains: "And yet that's really cheap as the premium for good life insurance."

Given the lack of a good government policy in this matter, he appears to have taken his own measures. At home he has an emergency supply of food to supply the entire family (wife plus five children) for a week, a crate of mineral water for the same purpose, a powder fire extinguisher on each floor, three smoke alarms, a first aid kit, a hand-powered flashlight, a transistor radio with spare batteries, and a list of emergency numbers next to the telephone--this comes from the HAAGSCHE COURANT at the time the book was published. He says that "one person with an emergency plan is worth ten without."

Fellow VVD MP's whom we asked whether they were aware of his "concerns" on this point replied in the negative: "No, but to be honest, I don't know Joris all that well, you know. But he is different, that's for sure." A second colleague tries to explain: "He's consistent in his thinking. Of course that's connected with his background in scholarship. Well, I feel that if you're constantly studying international problems the way he is, and also trying to assess the consequences of them, then you'll very quickly end up doing that kind of thing." A third responds after a short silence: "Wait a minute, I think he brought that up in the party once too. Yes, no, I don't think there was much enthusiasm for it." It appears in any case that he has been thinking about the problem for a long time: he also raised the question in the WRR in an internal note. The research he proposed was not undertaken, however.

How did the talented professor, the well-groomed and correct gentleman do in among ordinary MP's with their shoving and tugging?

But the strangest was yet to come. After a little thank-you speech had finally been given after all in the name of the Netherlands delegation, another discussion got going, with Shitikov accusing "one member" of the delegation of being "pro-American." "The situation got really tense then," says a witness, "but what Voorhoeve did bordered on the unreal. He simply went ahead--simply went ahead!--and explained how our democracy works, who we've allied ourselves with, and that kind of thing. That Shitikov was furious."

The report: "Shitikov asked whether they had figured out by now who the Netherlander in question was. The Netherlander in question (i.e., Voorhoeve, T.-J.M.) went ahead and finished what he was saying."

"When that happened," a witness recalls, "Shitikov slammed his fist on the table, 'The meeting is over,' but he couldn't get anything more out. I can tell you that I've been in the Kremlin a few times, but I'd never seen anything like that."

Voorhoeve is not the type to violate the confidentiality of such a meeting; he is probably not enough of a politician for that. After the trip was over, when journalists asked him about his experiences, he did have a story about a Moscow experience at hand to confirm his view of the world. The REFORMATORISCH DAGBLAD, a newspaper that often interviewed him by the way, reported a story of his about an army exercise: "...there was an unbelievable quantity of first class materiel. The vehicles drove around at top speed. It was a sinister display. When I saw that, I hoped I would never have to see them in the Binnenhof."

After this it will come as no surprise that this same Voorhoeve, again in 1981, on 5 May, was present at the birth of the Peace Policy Foundation (SVP), a counterweight to the IKV [Interchurch Peace Deliberation] and others calling for unilateral measures. The Foundation's publications mainly reflect his opinions. He was also chairman of the SVP for a time; when he was succeeded by former DS'70 [Democratic Socialists 1970] MP Ruud Nijhof, he stayed on as a member of the governing board. "Voorhoeve has played a very important role in the Foundation's work," says SVP Director F. de Bree. "The fact that we're so well known is due to him."

When he published "De rol van Nederland in de wereld" [The Netherlands' Role in the World] in 1982, parts of it proved to come directly from an article written in 1981 for the INTERNATIONALE SPECTATOR and entitled "De slinkende rol van Nederland in de wereld" [The Netherlands Shrinking Role in the World]. Correct as always, Voorhoeve made no secret of that fact: in the back he called it the 1982 edition. Still, it does seem strange.

Within a short time, however, he would again be called to another job: he became a member of the Second Chamber at the end of 1982.

Still, his view of the Netherlands' role in the world is interesting. He warns against "moralistic overestimation of oneself" but does not agree with a position of "conservative passivity." Our country "would do better to draw its inspiration from practical idealism, an idealism that is guided by a

At first he seemed to have a rough time of it. He attracted attention for completely different things.

Relus ter Beek was with him on a visit to China and Japan with a Parliamentary delegation. During the trip "Joris didn't do anything to cause surprise." But a few days after Ter Beek got back home, he saw Voorhoeve on TV, arriving in the Netherlands with an Afghan child in his arms. "He never told us anything about it. Isn't that strange though?" He tries to explain: "I think he's a man with definite solitary traits." (The adoption matter got rather out of hand later after VRIJ NEDERLAND announced that the child was not an orphan, and that its parents were still alive. However, nobody supposes that Voorhoeve had bad intentions. "He went about it clumsily, I think, but beyond that I really believe he had only good intentions," Ter Beek says.)

Klaas de Vries had another, rather remarkable experience with Joris Voorhoeve. A high political official in Kuwait spoke to a Netherlands Parliamentary delegation, comparing the Israeli government of the time with the Nazis. This made Voorhoeve so angry that he did not give the man the gift brought for him. "That man won't get any book," Voorhoeve whispered to De Vries before the talks had even finished. De Vries: "I thought, 'What's that? No book?' We were on an orientation trip. And the problem that we were constantly having there is that an awful lot of people had totally different opinions from us. As a politician you have to deal with that, whether you want to or not. I mean, you feel your way, what's OK and what isn't? Not Voorhoeve. He simply confronts the others with his opinion. He always lets people know he's right. For a politician I don't think that's quite the right attitude."

Ton Frinking: "Inevitably he always thinks he's right, that's true. And he does so on the basis of a scholarly analysis that's assumed to be right all the time. He views politics with mathematical certainty. Along the lines of: if you put this in here, that comes out there. He has no doubt at all about that. And that may just be a rather limited view of politics."

Fred van der Spek had another experience: "I was with him abroad, and, strangely enough, we very often agreed. What often happens on these trips is that things get pretty loose, you know, that a group of people go out and drink. Neither of us saw much in that. Once, maybe even more often, I've debated with him here in the Netherlands. I had the impression that he did respect me, actually. Look, I'm no fool, and he isn't either, we both knew a respectable amount, and even so he was cautious. We respected each other. I don't think he was really interested in my ideas, it was a certain politeness. And respect, that's right."

In the VVD faction--where nobody is willing to be named, they are very cautious--it is said that "Joris has gotten more and more political lately. At the start of his previous--and first--parliamentary term, after all, he was mainly seen as "a scholar who's made the wrong choice." But his authority grew. Mainly because he was able to make it clear in parliament too that he "knows an enormous amount." That is why he was one of Nijpels' closest advisers when the cruise missile question became so important in the middle of 1984. Not, by the way, because he was expected to contribute to political strategy--that skill still was not expected of him then.

Still, he came to "understand the work better and better," the faction feels. Relus ter Beek saw it happening too: "Oh yes, at first Joris would always come up before a debate and ask carefully if you would be willing to co-sign a motion. Usually something everybody agreed on; fighting terrorism or the like. But the last time, at the budget debate, it was different. That time DE TELEGRAAF came out the day before with his plan to fight terrorism. I thought to myself, 'Well, look here, Joris is beginning to see how it works.'"

Ton Frinking was involved with Voorhoeve in that kind of thing as a coalition partner: "He's very good at drawing up compromise texts. He's really flexible and inventive then. And as for his behavior as a colleague otherwise, there's been considerable change in that during the past term. Just before the elections we had one last debate—I think it was about chemical weapons. Beforehand I had given him a motion he was able to agree with after a few changes; no problem, in other words. But what happens during the debate? He has a motion himself too. At a time like that you think, 'Why didn't you just tell me, Joris?'"

In Parliamentary debate he still has not exactly perfected himself after 4 years as an MP. "In the second round he usually doesn't say anything," comments Klaas de Vries. "I find that kind of debate neat, but I don't think he much likes it. I've seldom seen him at the interruption microphone."

But here too he is moving in the right direction. Ter Beek: "One time he began to question me pretty actively about our cruise missile position. I'll be honest, I was having a hard time of it. But, well, I see the camera grinding away, so I come out with a homily about the horrors of the atomic age; in short, it was pure demagoguery, I admit it. Afterwards Joris comes up to me, 'That was beneath you, you know.' Not angry or anything, more like, 'I understand, that's how it works here.'"

He was eager to become faction chairman.

He did not make much of a secret of that, not even when it was important to in the decisive meeting during "the night of Transport and Public Works." "In things like that he's very single-minded," says a fellow VVD MP. "He's ambitious. If you ask him right out, I think he'll say yes."

For the time being the outside world will continue to see him as the "professor in politics," it seems. Internally, inside the faction, is probably where he faces the greatest problems. But whatever happens, the fact is that Joris Voorhoeve has never failed anywhere yet.

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POLITICAL

NORWAY

LABOR PARTY NEWSPAPER COMMENTS ON DISCOURAGING POLL RESULT

Biggest Drop in Months

Oslo ARBEIDERBLADET in Norwegian 25 Jul 86 p 6

[Article by Alf Hildrum: "Poll Shock for Labor Party"]

[Text] Oslo—The Labor Party has experienced a free fall in the polls. In a single month support for the party dropped from 43.2 percent to 37.7 percent. In terms of voters this means that almost 150,000 people abandoned the party between May/June and June/July.

That is 15 percent of the party's voters. It is probable that the decline started right after the government changed hands and accelerated as summer approached. This is the biggest change ever recorded for a party on Norwegian Market Data's political barometer. The poll was conducted at the request of the Labor Party.

The right-wing has benefited from the flight of voters from the Labor Party. The Conservatives went from 30.0 to 33.6 percent in this poll while at the same time the Progressives went up from 3.6 to 4.1 percent. This means that the two right-wing parties together have exactly the same support level as the Labor Party. The middle-spectrum parties and the Socialist-Left [SV] remained at the same level.

The support level noted for the Labor Party is the lowest since April last year when the party had a 36.7 percent rating. The Conservatives also reached 33.6 percent then, so the present situation resembles the one in effect before the Labor Party started to pick up support before the election last fall. This also applies to support for the middle parties. Since April of this year the nonsocialist government alternative increased its support level from 45.9 to 51.4 percent, while support for the Labor Party and SV dropped from 49.2 to 43.5 percent.

The poll was conducted at a time of strikes and unrest during a public wage dispute and there is little doubt that the government's handling of this matter had a negative impact on the current political barometer.

NMD - Politisk barometer - juni 1986

		Fylkes- tings valg							Stor- tings Valg						
		Sept. 1983	Juni 1985	Aug. 1985	Sept. 1985	Sept. 1985	Okt. 1985	Nov. 1985	Des. 1985	Jan. 1986	Feb. 1986	Mars 1986	Apr. 1986	Mai 1986	Juni 1986
		%	%	%	%	%	%	%	%	%	%	%	%	%	%
3	SV	5,3	5,4	5,8	5,5	6,6	6,5	6,1	6,6	5,7	5,4	6,1	5,7	5,5	5,8
4	A	38,9	38,7	38,5	40,8	41,5	41,8	41,5	41,0	42,2	42,2	42,6	43,5	43,2	37,7
5	SUM	44,2	44,1	44,3	46,3	47,9	48,3	47,6	47,5	47,5	47,6	48,7	49,2	48,7	43,5
6	S	7,2	6,0	6,6	6,6	5,5	7,3	6,1	6,2	6,4	5,7	5,7	5,9	5,8	6,0
7	KRF	8,8	8,5	8,1	8,3	7,6	8,0	7,9	8,7	7,9	7,9	8,0	7,9	7,8	7,7
8	H	28,4	30,1	30,0	30,4	30,4	28,0	31,0	30,7	30,0	31,6	30,2	28,8	30,0	33,6
9	FRP	6,3	5,3	5,4	3,7	4,0	4,8	3,8	3,9	3,5	3,1	3,5	3,3	3,6	4,1
	SUM	48,7	49,9	50,1	49,0	47,5	48,1	48,6	49,5	47,8	48,3	47,3	45,9	46,8	51,4
10	V	4,4	3,7	3,5	3,1	3,2	2,8	2,2	1,6	2,5	2,5	2,5	2,8	3,1	3,2
11	DLF	0,7	0,7	0,7	0,5	0,5	0,4	0,3	0,3	0,7	0,3	0,4	0,6	0,5	0,4
12	RV	1,2	1,0	0,9	0,8	0,8	0,2	0,5	0,8	0,5	0,7	0,4	0,4	0,5	0,7
13	NKP	0,4	0,5	0,2	0,2	0,1	0,1	0,6	0,2	0,3	0,5	0,3	0,2	0,1	0,2
14	ANDRE	0,3	0,1	0,4	0,4	0,3	0,3	0,1	0,1	0,3	0,2	0,4	0,9	0,3	0,5
	TOTAL	99,9	100,0	100,1	100,1	100,1	100,0	99,9	100,0	100,0	100,1	100,1	100,0	100,0	99,9
15	Antall svar om partipreferanse		1024	1052		1030	1095	993	970	1098	1066	1075	1045	1039	992
16	Antall intervju over 18 år		1263	1266		1218	1240	1191	1152	1282	1248	1266	1236	1220	1219

Barometeret fremkommer ved utvalgskorreksjon i henhold til siste stortingsvalg.
 Beregnede statistiske feilmarginer kan være av en størrelsesorden på opptil 3%-enheter for stemmeandeler
 nær 50%.
 Ca. 2%-enheter for andeler på 10-20% og ned mot 1%-enhet for lavere stemmeandeler.
 Intervjuarbeidet er utført i perioden 16. juni - 18. juli 1986.

NORGES MARKEDSDATA A/S

Norwegian Market Data Political Barometer, June 1986

The barometer has been corrected in relation to the last Storting election.

The estimated statistical margin of error may be as much as 3 percent for voter responses of around 50 percent, around 2 percent for responses of 10-20 percent and around 1 percent for lower voter responses.

Interviews were conducted in the period 16 June to 18 July 1986 by Norwegian Market Data, Inc.

Key:

- | | |
|-----------------------------|---------------------------------------------------------|
| 1. County elections | 10. Liberal Party |
| 2. Storting election | 11. Liberal People's Party |
| 3. Socialist-Left | 12. Red Election Alliance |
| 4. Labor Party | 13. Norwegian Communist Party |
| 5. Total | 14. Others |
| 6. Center Party | 15. Number of people indicating party preference |
| 7. Christian People's Party | 16. Number of people 18 and older interviewed in survey |
| 8. Conservative Party | |
| 9. Progressive Party | |

But even though this special factor could have had an extra impact on the current poll, it is likely that the voter shift is also a warning sign that a great many people have reacted negatively to the government change and now hold the Labor Party responsible for it.

It is also worth noting that the Progressive Party does not seem to have been affected by the fact that the party helped to vote the nonsocialist government out of office. The Conservatives in particular predicted an early demise for the party after that, but the poll shows that the Progressive Party has strengthened its position following the change.

Here are the figures:

Socialist-Left Party: 5.8 percent (+ 0.3)
Labor Party: 37.7 (- 5.5)
Center Party: 6.0 (+ 0.4)
Christian People's Party: 7.7 (+ 0.1)
Conservative Party: 33.6 (+ 3.6)
Progressive Party: 4.1 (+ 0.5)
Liberal Party: 3.2 (+ 0.1)
Liberal People's Party: 0.4 (- 0.1)
Red Election Alliance: 0.7 (+ 0.2)
Communist Party: 0.2 (+ 0.1)
Other parties: 0.5 (+ 0.2)

Gro Harlem Brundtland Comments

Oslo ARBEIDERBLADET in Norwegian 25 Jul 86 p 6

[Text] Utoya--Prime Minister Gro Harlem Brundtland does not believe that the sharp decline in the poll gives an accurate picture of political developments in the past month.

"There has been a downward trend since the government change, but the movement has not been dramatic," was her comment.

She referred specifically to the big shift in public opinion ever since April. "The special political climate that was created by the lockout gave the Labor Party a big boost up from the level of around 41 percent that we had then. The Conservative Party declined correspondingly. This happened just before the government changeover and did not indicate a normal political development."

She said that Norwegian Market Data's last poll clearly differed from those conducted by other institutes. "We did not have 43 percent there. What we have lost since the government changeover is a few percentage points from our original level of around 41 percent. Considering the normal sources of error that polls operate with, I do not think the latest poll represents the dramatic decline that the numbers in themselves seem to indicate," said Gro Harlem Brundtland.

In her speech at the Labor Youth League camp in Utoya the prime minister flatly denied that it was tactically unwise of the Labor Party to take over the reins of government.

Paper Assesses Poll Implications

Oslo ARBEIDERBLADET in Norwegian 25 Jul 86 p 4

[Editorial: "Heavy Burden"]

[Text] The latest opinion poll from Norwegian Market Data showed a sharp decline in support for the Labor Party. The July poll showed the Labor Party declining by 5.5 percent from 43.2 percent in May to 37.7 percent now. Even if we make all due allowance for margins of error, the decline is so significant that it probably indicates a real reaction on the part of voter groups.

The Conservatives have reaped the positive effects from the Labor Party's loss of support and moved ahead by 3.6 percent to a support level of 33.6. The impact on other parties was relatively minor.

The fact that the shifts were mainly concentrated on the two largest parties indicates that the government issue has played a large role in the political opinion of the average voter and continues to do so today. At any rate it is hard to discern any political issue that the Conservatives could have used to make their mark after the government change that would have an impact on public opinion.

The figures from the latest opinion poll will certainly be used extensively in the political debate in the near future. In the opposition parties the opinion poll will provide fresh ammunition for those who above all else want a government change as soon as possible and it would not surprise us if the banal "fall hunt" debate flares up. A debate that is not particularly justified politically but is largely fueled by personal ambitions.

Above all we feel that the latest opinion poll results call for common sense. This applies to the nonsocialist parties as well as to those in the labor movement who may want to indulge themselves in the "I told you so" joys of hindsight.

A poll is not an election. Opinion polls can give certain signals about development trends in the electorate and about the feelings voters have for individual parties. But that is all. The most important things in the current political situation are unaffected by variations in the polls. The situation is still the same as it was when the Labor Party and Gro Harlem Brundtland accepted the task of forming a government. There is no clear majority for any government alternative in Storting. The clearest political alternative is still the Labor government which has a clear political basis for government activity. We still do not know anything on the nonsocialist side except that the three parties will negotiate their way to a political platform for a potential new government.

When we say that it is necessary to deal calmly with the new opinion poll figures, it is not least because the reaction is most likely due to the austerity policy the Labor government has been forced to carry out. The necessity for these drastic remedies is entirely due to the failure of the previous government's economic policy. But the Labor Party now bears the burden of redressing an economic policy that the party disagreed with and opposed. We believe this task would have been even harder for those who were really responsible if the Willoch government had remained in office. That is why the three-party government chose to turn over the position and the responsibility to others.

6578

CSO: 3639/147

POLITICAL

PORTUGAL

POLL REVEALS PUBLIC BELIEF IN EARLY ELECTIONS

Lisbon EXPRESSO in Portuguese 15 Aug 86 p 1, 20

[Text] The government was the organ of sovereignty most affected by the atmosphere of political confrontation that prevailed in July. According to a new EXPRESSO-Euroexpansao Panel poll, the popularity index of the Social Democratic Executive dropped 6 points in the past month. It now has a 30 percent positive popularity rating, an index that is close to the 24 percent obtained by the Assembly of the Republic, where the main political debates took place and which has improved its image by 5 points.

The parliament, several times accused by the Social Democrats of obstructing the government's action, emerges clearly the beneficiary of public opinion after its intense activity in July, when the bills on agrarian reform and the PSP's regulatory statute were disapproved and the internal security law, the purchase of military materiel in the amount of 120 million contos, the conclusion of a new penal code, etc., were approved.

The prime minister continues in first place on the popularity scale, with a 51 percent favorable rating, widening the distance that separates him from the Executive that he heads. Cavaco Silva, remains at the same level as the previous month (he rose only 1 point), sustaining the abrupt 11-point decline he suffered from June to July, apparently as a result of the conflict aroused by the presentation of the confidence motion.

For his part, the president of the republic, who did not intervene in the recent political events, again shows a slight decline in his popularity index: he dropped from 50 to 46 percent a month ago, and now to 43 percent. In the meantime, this poll once again reveals a very low number of negative ratings for Mario Soares' performance: only 2 percent considered it "poor" or "very poor," a score that no other organ of sovereignty has managed to approach.

Only one-third of the Portuguese (34.6 percent) believe that the Cavaco Silva government is going to complete its 4-year term ending in 1989. The majority believes that the Social Democratic minority Executive is going to fall next year and that it will then be preferable to hold new legislative elections than for the president of the republic to name a new government without recourse to elections. That is revealed by the August poll conducted by the EXPRESSO-Euroexpansao Panel.

According to the poll, it is the PSD and CDS voters who express the greatest conviction that the government will remain in operation until the end of its term (almost 50 percent in both cases). The Social Democratic electorate, naturally, is the most reticent about the possibility of the appointment of a new government that does not result from elections: about 75 percent would prefer the scheduling of a new election. On the other hand, the Communists, Democratic Reformers, and Socialists clearly opt for the alternative of a government appointed without elections.

If the fall of Cavaco Silva's Executive should be confirmed, opinions are much divided about the possibilities of allies that would provide the basis for the formation of a new government. The two possibilities mentioned the most, which do not manage to get 30 percent of the expressed preferences, are that of another PSD government without alliances, or of a coalition between the PS and the PRD. Strangely enough, it is the voters of the CDS who most advocate the formation of a new Social Democratic government: more than 60 percent consider this the best possibility, while only 10 percent would like to see the CDS in a coalition with the PSD.

The alliance between the PS and the PRD is the alternative that is most favored by the voters of Ramalho Eanes' party (41 percent). They also prefer a government made up of the PS alone (19 percent) to an alliance of their party with the PSD (16 percent). The Socialist voters also consider the PS/PRD coalition the best possibility (36 percent), immediately followed by a government of the PS alone (20 percent).

On the other hand, the Central Bloc experiment does not appear to be likely to be repeated: less than 12 percent of the voters, both from the PSD and the PS, advocate it. The APU supporters are practically the only ones who support the "others" alternative, presumably having in mind a government that would include the Communists, a possibility that is not considered in any of the other cases. Forty-two percent of the Communists prefer that possibility, putting it in first place, followed by an alliance of the PRD with the PS (31 percent).

This dispersal of opinion among the various government alternatives without giving any of them a significant majority reinforces the conviction that, in the event that the government should fall, there would not be enough of a consensus to permit appointing a new government without resorting to new elections.

MAJORITY PREDICTS ELECTIONS NEXT YEAR

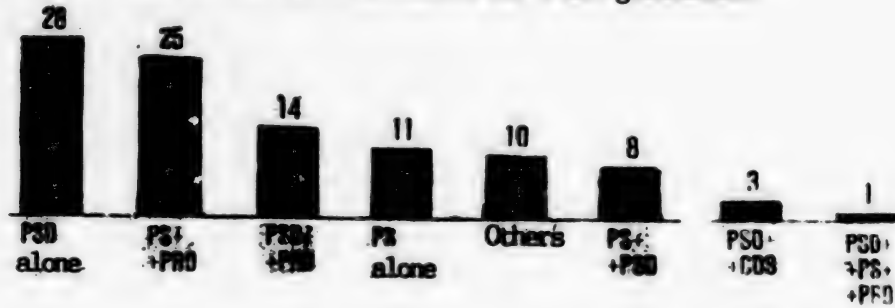
• How long is this government going to last?

Only this year	4.7
Until 1987	36.5
Until 1988	24.2
Until 1989	34.6

• What would be preferable if the government should fall?

New elections	52.4
New govt. without elections	47.6

• What would be the best alternative for a new government?



8711/9435
CSO: 3542/146

POLITICAL

PORTUGAL

POPULARITY POLL ON INSTITUTIONS, PERSONALITIES, PARTIES







Lisbon EXPRESSO in Portuguese 15 Aug 86 p 3

[Article: CDS: The Attraction of the Vacuum]

[Text] The PSD and the PS not only show the solidarity of their growth—they both remain more than 10 points about their results in the October legislative elections—but confirm the strong bipolarizing trend of the Portuguese electorate's current voting intentions. Even the appreciable rise of the PRD (from 10.9 in July to 14 percent), which emerges as a counterpoint to that bipolarization, is not enough to weaken the leading positions of the Social Democrats and the Socialists. As a matter of fact, the changes recorded in August by the PSD (42.3 in July) and the PS (30.8 percent last month) are slight. And it turns out to be the two forces situated at the extremes of the party spectrum—the APU and the CDS—that suffer the negative balances of that evolution.

The alliance headed by the Communists again drops to a level close to 8 percent (where it was in June, with 8.5 percent) which is equivalent to about half of the votes the APU obtained on 6 October.

On the other hand, the uninterrupted drain of votes continues for the CDS: 5.3 percent in June; 4.5 in July; and 2.6 in August. Thus, the Christian Democrats do not appear to be capable of stanching the incessant drain of their electorate to Cavaco Silva's party (more than 70 percent of its October voters declare today that they intend to vote for the PSD).

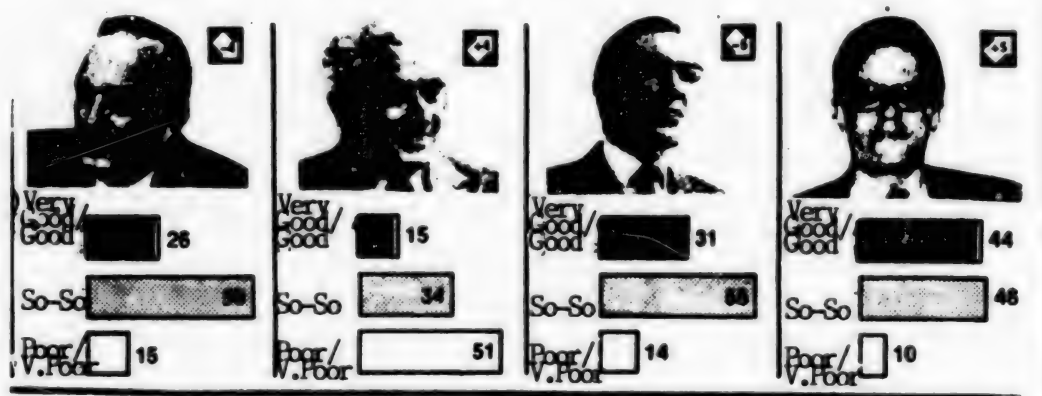
As of August 1986, intend to vote for:					
	41.0		31.0		14.0
(28.9 in Oct85)		(21.0 in Oct85)		(18.3 in Oct85)	
	8.2		2.6		20.6
(16.0 in Oct85)		(9.9 in Oct 85)		(26.3 in Oct85)	

Eanes Resists Bipolarization

Having dissipated the immediate effects of the victory he gained at the PS Congress, Vitor Constancio is seeing his popularity decline 5 points in August. He is, thus, letting Cavaco Silva—whom he also equaled in July in the previous EXPRESSO-Euroexpansao Panel poll—pull away, and the distance that separates him from Ramalho Eanes has dropped to 14 points.

The former president of the republic, moreover, makes a significant recovery from the sharp drop his popularity rating suffered in July, regaining 5 of the 9 points he lost then. His 31 percent positive index, still not enough to challenge the clear leadership of Cavaco Silva (51 percent), and Vitor Constancio (44 percent), place him as the third party personality and possible alternative to the bipolarizing trend personified by Cavaco and Constancio. Along with the simultaneous rise of the PRD, Eanes now seems to offer greater resistance to the nuclei of vote polarization that the PSD and the PS have become. His popularity is increasing among the women and city voters, and the negative opinions (which come mostly from the Social Democratic and Socialist voters) have also dropped 5 percentage points.

Adriano Moreira's indices, those of his party, continue to drop month by month. He has now lost 4 points and third place among party leaders that he held in July. It should be mentioned, in the meantime, that the total number of those who consider his performance "poor" or "very poor" has also dropped (to 15 percent). This increase of intermediate or neutral replies regarding the Centrist leader may reflect the relative fading of the CDS's political role. Alvaro Cunhal, who has always held the lowest position among the principal leaders in terms of popularity, substantially improved his position: the 5-point rise in positive ratings is accompanied by a 5-point reduction in negative opinions. The balance, therefore, is broadly positive for Alvaro Cunhal in August, the more so since only 8.2 percent currently indicate that they intend to vote for his party.



The Government Drops, the Assembly Rises

The Assembly of the Republic, regularly in last place in popularity among the organs of sovereignty, experienced a noteworthy recovery of its image in

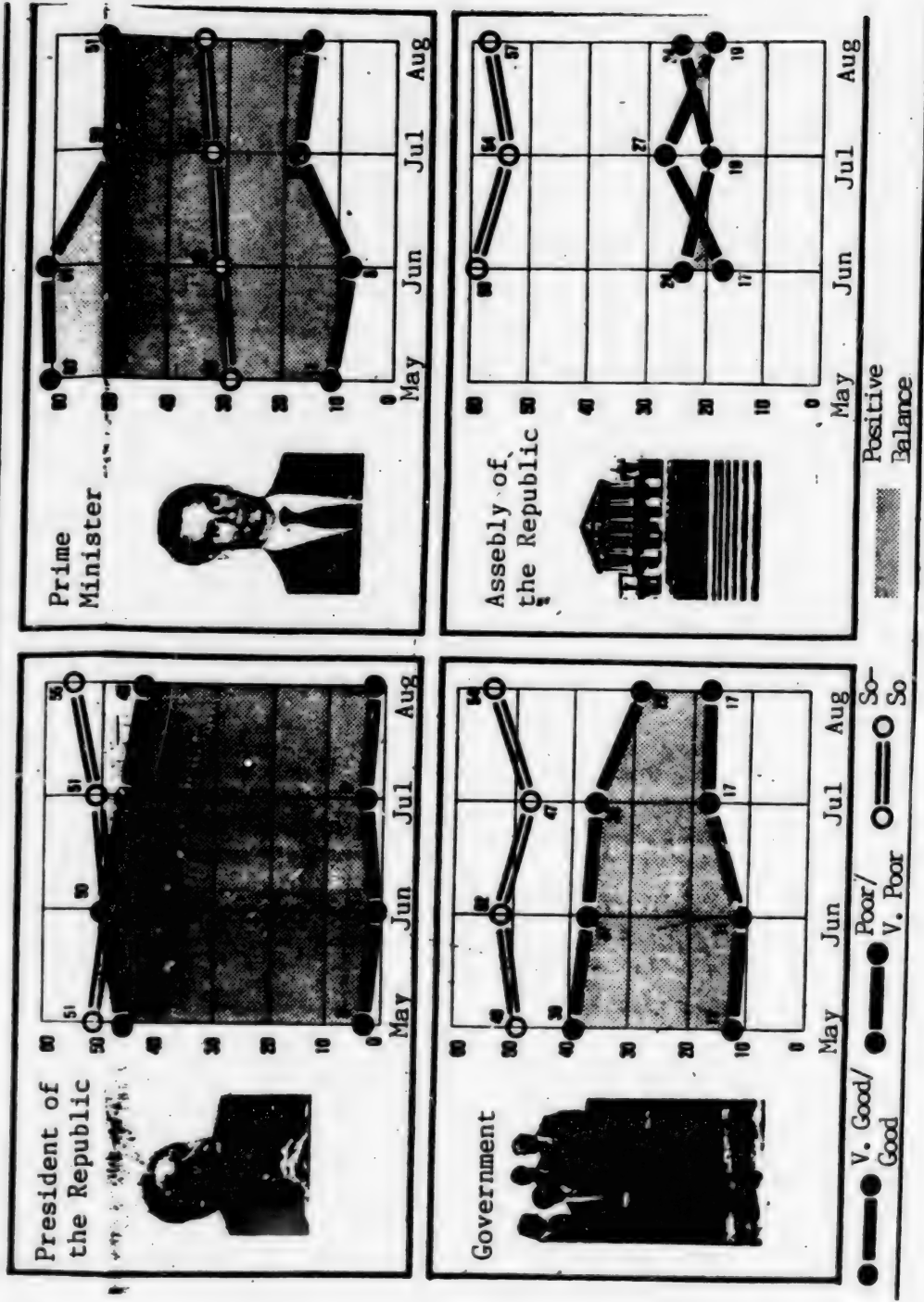
the period that preceded the vacations: its positive balance rose 13 points (5 percent more favorable opinions and 8 percent less negative ratings). At the opposite extreme, the government, which emerged as the parliament's antagonist in the recent political polemics, presents the most unfavorable balance for that period: its balance drops 5 points (praise declines 6 percent and criticism drops only 1 percent). It can be said that it was confrontation that parliament won on points: in this case by 18 points (13 + 5)...

Unlike his Executive, the prime minister apparently emerged unscathed from the recent political events. His popularity remains around 50 percent and his balance of positive and negative opinions even rose 3 points. Cavaco Silva continues to have his greatest supporters among the Centrist voters (91 percent in favor and none against), which exceeds even the loyalty of the Social Democrats (85.5 percent of support and 2.5 percent against). Furthermore, the 51 percent popularity index the prime minister receives seems to correspond to a relatively solid and stable support base because it did not allow the declining trend sparked by the sudden drop of 11 points the previous month to become accentuated.

The detached and non-interventionist attitude on the part of the president of the republic does not appear to favor his popularity. Mario Soares experienced a small drop of 3 points, which add to the other 4 points lost a month ago. However, he retains the second highest popularity rating, immediately after the prime minister, and his balance is even higher (41 percent for Soares and 36 percent for Cavaco) owing to the fact that the negative opinions for the president of the republic are practically negligible (2 percent).

Finally, it should be mentioned that the EXPRESSO-Euroexpansion Panel poll this month also included an opinion about the present government's African policy. Those who considered it "poor" or "very poor" (36 percent) are double the number of those who describe it as "very good" or "good" (18 percent), reflecting a "fair" image of the Executive on one of the sensitive points of its policy.

8711/9435
CSO: 3542/146



SOCIAL

FEDERAL REPUBLIC OF GERMANY

STUDY SHOWS IMPROVEMENT IN POSITION OF GUEST WORKERS

Munich SUEDEDEUTSCHE ZEITUNG in German 8 Aug 86 p 5

[Unattributed Article: "Success in Integration of Foreign Workers-- Considerable Catching Up Remains to be Done for Occupational Integration of Young Foreigners"]

[Text] Bonn, 7 August--Since the end of the 1970's, there has been a significant increase in the integration of foreign workers into the FRG societal system. This is shown by a representative study conducted by the research institute of the Friedrich Ebert Foundation under contract with the Federal Ministry for Labor and Social Affairs. However, considerable catching up in the occupational integration of young foreigners will still be necessary. At present, only one foreign youth out of four receives occupational training. However, in the opinion of the federal government the attitude of the foreigners toward the Germans has undergone a change for the better during the past few years. Last year, 52 percent of foreigners had leisure-time contacts with Germans, and 82 percent of them considered their relations with Germans to be good. About one-half of foreign parents indicated that they would have no objections to their children marrying into a German family.

According to Wolfgang Vogt (CDU), parliamentary state secretary in the Federal Ministry for Labor and Social Affairs, the purpose of the study was to provide comprehensive data to agencies dealing with foreign worker policy on the social, cultural and economic situation of the foreign workers and their families. The Institute of the Friedrich Ebert Foundation had previously conducted a representative study in 1980. In the present investigation, 6,500 foreigners aged 15 and above were interviewed; they were nationals of countries where foreign labor had formerly been solicited: Greece, Italy, Yugoslavia, Portugal, Spain and Turkey.

The federal government believes that one of the most significant results is the fact that between 1980 and 1985, about 83 percent of foreigners in Germany from ages 15 to 24 had attended schools (in 1980, it had been 63 percent), and that more than half of them had graduated from a German school. In 1985, one out of every three young foreigners of this age group received occupational preparation. Of the 4.43 million foreigners living in the FRG (2 million men, 1.4 million women, 1 million children under 16), more than 1.5 million were employed in 1985 and 260,000 were registered as unemployed. Ten percent of foreign workers were salaried employees, 3.5

percent held training status. Average monthly net earnings of all foreign workers were DM1,710 in 1985. The average monthly net income of foreign households was DM2,742. During the past year, 4 percent of the guest workers lived in their own privately owned house or apartment, 89 percent in rental apartments, and 7 percent in communal accommodations. There has been a significant increase in the number of foreigners having German language capability during the past few years. Between 1980 and 1985, it increased from 70 to 86 percent. Forty-three percent of the guest workers considered their language capability to be very good or good.

The coordination panel on foreign guest workers, which has brought its 1979 recommendations up to date, recognizes the need for further action on the integration of young foreigners. The panel numbers among its members representatives from the federal government, the Laender, employers and employees, and the welfare agencies. They consider the following to be urgently required: training-connected assistance, an expansion of the programs for the disadvantaged, special support for occupational counseling, educational measures for improvement in technical and written language, as well as programs designed to facilitate the participation of young foreigners in occupational training.

9273/12948

CSO: 3620/791

ECONOMIC

DENMARK

MINISTER SUBMITS BUDGET PROPOSAL IN WAKE OF TRADE DEFICIT NEWS

Family Tax Pressure Eased

Copenhagen BERLINGSKE TIDENDE in Danish 16 Aug 86 p 6

[Article by Carl Otto Brix and Ole Dall]

[Text] "We have been enormously successful, but it is no use for us to relax the economy until we have achieved a balance of payments equilibrium," says Minister of Finance Palle Simonsen (Conservative Party), who declines to set a target date for the balance of payments equilibrium.

For the first time since 1973, a minister of finance was yesterday able to submit a budget proposal with a surplus. However, Palle Simonsen (Conservative Party) does not plan to distribute nice presents among Danish citizens--the balance of payments is entirely out of equilibrium, and as long as this will be the case, the minister will be holding the purse strings tightly.

And yet. The tax reform, involving, among other things, marked child allowances, will contribute to a minor improvement next year in the economic situation of the average Danish family.

Palle Simonsen: "For the first time in a decade, the available real income increased in 1986, and also in 1987, the possibility of a minor increase will exist. As a result of the tax reform, personal taxes will be reduced by 5 billion kroner, and that is something which families will notice. How things will go will, moreover, depend on the result of the collective bargaining. The lower the wage and salary increases, the lower the rate of inflation, which, naturally, will affect the available real income."

[Question] An increase in the available real income. How can you reconcile this with your desire not to increase the consumption out of regard for the balance of payments?

[Answer] One has to keep in mind that the tax reform was agreed upon in the summer of 1985, and, at the time, we permitted the tax reliefs which will take effect next year--being well aware of the fact that it will have a negative effect on the balance of payments. The tax reform, however, at the

same time, contributes to increased savings, which, in turn, will have a positive effect on the balance of payments. That is why we permitted the tax relief, which formed part of the background to the December and Easter packages.

[Question] It is presumably certain that the tax relief—among other things, the child allowance—will cause an increase in the consumption, while it is assumed that the rate of savings will increase?

[Answer] Clearly, one does not know exactly how large a share of the tax relief will contribute to increasing the rates of consumption and savings. We take it that the two things will largely outweigh each other. That has been the basis in all economic adjustments since the summer of 1985.

'Inner Discipline'

[Question] You have increased the rate of employment and created a budget surplus, but you have not solved the last problem, the balance of payments deficit—and you have now postponed the date for a balance of trade equilibrium from 1988 till when?

[Answer] First of all, I want to say that the government has had two targets with target dates. One was the target for creating an equilibrium in the government finances by the end of the eighties, the other one was the target for creating a balance of payments equilibrium in 1988. The former target was reached 4 years ahead of time. As far as the second target is concerned, in examining the most recent figures, we hardly expect that it will be possible to meet that target in 1988.

The target dates have played a major role in maintaining the 'inner discipline,' as far as the economic policy is concerned. Without the target dates, I do not believe that we would have carried through the adjustments of the economic policy in such a resolute manner, as a result of which we have now achieved a very favorable development.

We have been enormously successful, but it will not do for us to relax the economy until we have achieved a balance of payments equilibrium.

If we are now saying that it will hardly be possible to achieve an equilibrium in 1988, it does not mean that we are thus simply giving up and saying, 'Then we shall have to drop that idea.' We are adhering to the measures and will supplement them with proposals intended to increase private savings. There is no vacillation in the economic policy.

However, irrespective of the many advantages, the target date may have landed us in a situation which has enabled our critics to charge us with failing to meet the target, as far as the balance of payments is concerned, whereas they forget that 185,000 new jobs have been created in 4 years. That is a reflection of a growth policy which beats everything seen anywhere else.

Might Achieve Equilibrium in 1988

When people ask me when we shall achieve a balance of payments equilibrium, I answer: The government might very well achieve a balance of payments equilibrium in 1988 by employing sufficiently tight measures, but the result would be a return to the unemployment situation of earlier times.

We are now in a situation where there is a small surplus on the government finances, we have a low rate of inflation, we have managed to reduce the interest level considerably, and we have achieved the best rate of employment in many years.

It would be foolish to ruin this. We would do so if we wanted to adhere to the target and carry through a balance of payments equilibrium in 1988.

[Question] Dare you not give a new date for a balance of payments equilibrium?

[Answer] It is not a question of whether we dare to do so. We do not want to give another date, for we do not want for the attention to focus too much on that date. The attention will, to a larger extent, have to focus on the general economic development in our society.

[Question] But the growth is taking place internally, which does not result in any major increase in our exports, which will be necessary to reduce the balance of payments deficit?

[Answer] One of the reasons why our export has not risen very much, is, of course, that the domestic market has been very good. That is quite clear, but there will not be as high a rate of growth in the private consumption in 1987 as in 1986. In this context, I do not have in mind the individual family but the total consumption of the society. That means that the growth which is taking place in the production, to a larger extent, will have to be funneled into the export market.

Budget Would Contain Surplus

Copenhagen BERLINGSKE TIDENDE in Danish 16 Aug 86 p 6

[Article by Morten Larsen]

[Text] The increase in the domestic consumption is slowing down, and that will mark developments next year, as far as the government finances are concerned. The government does not expect any decline in the unemployment rate next year, nor any growth in the rate of investments within the business sector.

On the other hand, Denmark would get a step closer toward a trade balance equilibrium. Exports will next year increase by 4.8 percent in terms of fixed prices, while imports will increase by 1.5-2.0 percent.

The improvement is partly due to the fact that the increase in the domestic demand is leveling off, partly to the fact that the government expects to resolve some of the bottleneck problems of the export industry. The result will be that Denmark will be able to regain some of the foreign market shares which were lost last year.

The total Danish gross national product--the total production of goods and services--will increase by 2.0-2.5 percent next year, and it will be a growth rate generated by the private sector. The public sector will not grow, whereas the growth rate within the private sector will be fair and larger than in other Western European countries.

The private consumption will increase by 2.8 percent and will thus continue to increase at a somewhat faster rate than the gross national product. The rate of growth, however, will be 0.3 percent below that of this year, and this will be due to the continued increase in the employment rate, which, according to the expectations of the government, next year will keep up with the additions to the labor force, as well as to the slight increase in the real income of salary and wage-earners and the fact that the tax reform will make more money available for family consumption.

Minister of Finance Palle Simonsen (Conservative Party) is, with next year's budget, aiming at keeping the net expenditures of the government within a framework of 193.4 billion kroner at the price level expected by the government in mid-1987. The total net incomes will be 800 million kroner higher, and the budget proposal will thus be the first one since 1974 with a surplus on the revenue and expenditure account, in the capital budget and the lending budget.

It will be a fragile surplus, however, one of the reasons being that it will be based on an average interest level next year of 8.7 percent. If the interest rate becomes merely 1 percent higher, this will cost the government another 4 billion kroner.

This is associated with the fact that, by the end of 1986, the total domestic national debt of the government will amount to 343.6 billion kroner. Repayments on this debt will next year amount to 66.3 billion kroner, and the net amount pumped out of the domestic capital market will be 45.4 billion kroner. The government cannot afford this, and that is why it expects to sell 53.5 billion kroner worth of bonds next year. If the Danish interest rate increases, the interest expenditures of the government will also increase.

Without increasing the total expenditures of the government, there will be scope for a number of new initiatives.

Educational grants will be increased by 240 million kroner by making them 1 dependent upon the incomes of parents.

Partial pensions will cost 1 billion kroner, the coordinated deductions of government employees will be reduced, and pension expenditures will thus become larger, and additional efforts will be made in the area of education within the labor market to solve the bottleneck problems in the business sector.

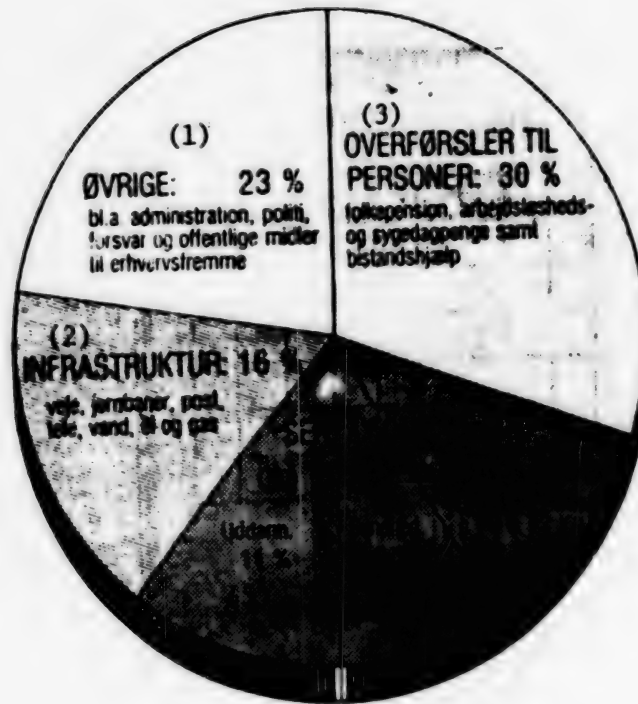
In addition, the 4-year action plan for research and development, which will cost a total of 1.4 billion kroner and will strengthen Danish exports will be continued. Finally, the Ministry for Transportation will need 400 million kroner to set up the state-owned corporation which will build and own the fixed connection [bridge or tunnel; translator] across the Great Belt.

On the incomes side, the state expects to continue to receive 74 billion kroner under the Pay-As-You-Earn tax system, while the total revenues from the hydro-carbon tax and the corporation tax will drop from 17.6 to 12.2 billion kroner, because the banks will not have as big profits due to appreciation this year as last year and thus will not be paying as high taxes next year.

The real interest tax will increase by 6 billion kroner to 17.5 billion kroner, and customs duties and indirect taxes will increase by 6 billion kroner to 121.1 billion kroner. The increase in the energy taxes which was carried through under the Easter package accounts for half of this increase.

Minister of Finance Palle Simonsen expects that the total tax pressure will drop by about 1 percent to well over 50 percent.

**Gross Expenditures of Public Sector in 1986
Distributed on Areas of Expenditure**



This is the way the expenditures of the state are distributed. For the first time in 12 years, the incomes will cover the expenditures--if the repayments on the national debt are not taken into consideration.

Key:

1. Others: 23 percent
Includes, among other things, the public administration, the police, the Armed Forces, and expenditures of the public sector to promote the trades and industries.
2. Infrastructure: 16 percent.
Roads, railways, postal service, telecommunications, water, power and gas.
3. Transfers to persons: 30 percent.
National pension payments, unemployment benefits, sickness benefits as well as welfare benefits.
4. Service sector
5. Education: 11 percent
6. Health: 9 percent
7. Social sector: 11 percent

MP's Give Varied Reactions

Copenhagen BERLINGSKE TIDENDE in Danish 16 Aug 86 p 6

[Article by Morten Langer]

[Text] The Radical Liberal Party supports adhering to the main lines of the government's expenditure policy under the government's budget for 1987. But the party wants to earmark additional funds for research, development and education of special importance for the export trade. This is done in an endeavor to eliminate the balance of payments deficit.

"In the negotiations with the government on the new budget, we do not want to feel committed to their figures when it comes to spending money on promoting our exports," says Niels Helveg Petersen, leader of the Radical Liberal Party. Jens Bilgrav Nielsen, his fellow party member, finds that the efforts on the part of the government in these areas are entirely inadequate.

Mogens Camre (Social Democratic Party) supports the expenditures to promote Danish exports, but he does not like the government's budget proposal. He says:

"The budget proposal of the government does not solve the country's big economic problems. The surplus on the budget of the state is no independent step forward, because parts of the public sector are simultaneously being demolished."

"The government will have to realize that the serious balance of payments trend cannot be reversed by carrying on its policy. The balance of payments deficit, the unemployment rate and the social inequality can only be rectified through a healthy, purposeful growth and a renewal of the economic and technical structures of the society," Mogens Camre says.

The government parties naturally take a very positive view of the budget proposal. Anders Fogh Rasmussen, finance policy spokesman of the Liberal Party, says: "It is important to establish that, actually, there is no government surplus to spend. That is why we cannot afford to increase the public expenditures."

Bernt Johan Collet, finance policy spokesman of the Conservative Party, says:

"In order for the Danish economy to emerge anew as sound and healthy, it will be absolutely necessary to continue the tight finance policy measures and ensure an extremely cautious salary and wage development. This will serve the interests of the country and the salary and wage-earners."

Flemming Kofoed-Svendsen, national chairman of the Christian People's Party, says that it is very gratifying that the government has won the battle against the interest on the national debt, thus alluding to the fact that, for the first time in many years, the national debt will decrease.

Jes Lunde (Socialist People's Party) says that the budget proposal of the government is greatly marked by its ideology. He says: "The well-to-do, the affluent, the well-educated and the well-paid will be better off--the others: the less well-to-do, the poor and the children and adults who are more or less ignored, will continue to be badly off."

Keld Albrechtsen of the Left-Socialist Party says that the many people who, for 4 years, have been affected by the cutbacks of the Schluter government, simply cannot afford another nonsocialist budget. "The budget proposal has one certain effect, viz. increasingly greater inequality and insecurity," he says.

Helge Dohrmann, group chairman of the Progressive Party, does not find that there have been sufficient cutbacks in the consumption of the public sector for next year. "Nobody--not the government either--has got the courage to touch the public expenditures in order to reduce the foreign debt," he says.

Record Current Account Deficit

Copenhagen BERLINGSKE TIDENDE in Danish 14 Aug 86 Sect III p 10

[Article by Frank Dahlgaard]

[Text] Denmark's balance of payments deficit was in the second quarter of 1986 the worst ever recorded, viz. 10 billion kroner.

In the second quarter of 1985, the deficit on the total balance of payments was "merely" 5.4 billion kroner, and in the first quarter of 1986, the deficit was 8 billion kroner.

Normally, the balance of payments deficit declines from the first to the second quarter because the heating season is over and less fuel is imported. This seasonal improvement in the first half of 1986 was entirely obviated by an actual deterioration of the balance of payments.

The sharp reversal in a positive direction predicted by members of the Independent Advisory Council and other forecasters is not yet noticeable. On the contrary, it is, unfortunately, found that also in the second quarter of the year, things went in the wrong direction, as far as the balance of payments trends were concerned.

The government's most recent estimate for the entire year of 1986 is a deficit of 18 billion kroner. This figure, however, was already reached in the first half of the year. A total deficit for 1986 of 25-30 billion kroner is now expected.

Third Consecutive Year

For the third consecutive year, the balance of payments deficit will become more than twice as large as originally predicted by the economists of the government:

The government's first prediction for the 1984 deficit was a deficit of 8.2 billion kroner. It became 18.8 billion kroner.

The government's first estimate of the 1985 deficit was 13.8 billion kroner. It became 28.4 billion kroner.

In March of last year, the government presented its first estimate of the 1986 deficit: 12.5 billion kroner. We have to face the fact that this first estimate as well will have to be more than doubled...

Before looking more closely at the disappointing figures for the balance of payments in the second quarter and the first half of 1986, there may be reason to warn against reactions of panic from political quarters.

For there is not much doubt that the foreign exchange deficit in the latter half of 1986 will start to decline. For the following reasons:

The international prices of oil and other raw materials have declined markedly since the turn of the year.

The dollar rate of exchange has also dropped sharply. Both of these things mean cheaper raw materials and lower import expenditures. The lower dollar rate, moreover, reduces our interest expenditures on the balance of payments.

Foreign interest rates have declined since the turn of the year, which will soon be reflected in the actual interest payments to our foreign lenders.

The rate of economic growth is increasing in Western Europe, which will increase our export possibilities and foreign exchange earnings.

Our domestic investment boom is slowly leveling off, which means that the growth in the import of machinery and equipment will cease.

Housing construction will level off this summer, and the declining building activity in the fall will, in turn, mean a lower rate of import of goods.

However, it is more doubtful whether the rate of growth in the private consumption will level off, though it is likely, and, if so, it will check imports.

Origin of Figures

The table shows the Danish balance of payments for the first half of 1986.

The figures are collected and published by the Department of Statistics. As far as the commodity trade is concerned, the figures stem from the records of the Customs Authorities on exports and imports.

All other balance of payments items are recorded by the Central Bank in its so-called 'foreign exchange statistics.' For according to the foreign exchange regulations, private banks and savings banks have to record and report all payments to and from foreign countries to the Central Bank, which, in turn, submits the figures to the Department of Statistics.

As the table shows, in the first half of the year, Denmark's total foreign exchange earnings amounted to 127.2 billion kroner and the total foreign exchange expenditures amounted to 145.2 billion kroner. This gives a deficit of 18 billion kroner, equivalent to an average monthly deficit of 3 billion kroner.

It should be noted, however, that the actual deficit in our trade in goods and services with foreign countries only amounted to 1.8 billion kroner in the first half of the year.

It is the deficit of the interest and grants balance of 16.1 billion kroner which causes the total foreign exchange deficit to become so big.

The net interest expenditure of 13.6 billion kroner is due to our large foreign debt, which, in turn, is caused by 23 years of constant balance of payments deficits. In other words, it is the sins of the past which now place such a heavy burden on our foreign exchange account.

The net expenditure of the grants balance of 2.5 billion kroner is almost entirely due to Danish aid to developing countries.

However, neither the interest payments nor our aid to developing countries have got anything to do with our competitiveness or our actual foreign trade. But, of course, the money will have to be paid nevertheless.

Equilibrium in our total balance of payments thus requires a large surplus in our actual trade with foreign countries.

Compared to the first half of last year, there has thus been a deterioration in all of the balance of payments items except for the item "Others," where the surplus has increased slightly.

The deficit on the trade balance has grown by 1.5 billion kroner. The surplus on shipping (sea freight balance) has declined by 1 billion kroner. The deficit on the travel and tourist balance has increased by well over 0.8 billion kroner, and the surplus on Denmark's balance of payments with the EC has declined by 0.5 billion kroner. Only the item "Others" has improved, viz. by the small amount of 0.2 billion kroner in relation to the first half of 1985.

While in the first 6 months of 1985 we had a surplus on the total trade and service balance of 1.8 billion kroner, we now have a deficit of a corresponding magnitude. The deterioration in this part of the balance of payments thus amounts to 3.6 billion kroner.

The net interest expenditures have, unfortunately, increased by 70 million kroner, despite the declining dollar rate of exchange and declining interest rates abroad, and the grants balance has deteriorated by 600 million kroner--still in relation to the first half of 1985.

The total balance of payments has deteriorated by 4.3 billion kroner—from 13.7 billion kroner in the first half of 1985 to 18.0 billion kroner in the first half of 1986.

This deterioration is the result of a decline in the total foreign exchange earnings by 2 percent, while the total foreign exchange expenditures have increased by 1 percent.

Minor percentage fluctuations in incomes and expenditures, each in their own direction, thus mean an enormous change in the balance of payments account.

It is this very circumstance which provides hope for the future. Merely a rather minor reversal of growth percentages may improve the balance of payments by many billions of kroner.

The above-mentioned factors provide well-founded hopes of such a reversal in balance of payments, and it is thus still too early to abandon the government's objective of equilibrium between foreign exchange earnings and foreign exchange expenditures in the course of 1988.

(1) BETALINGSBALANCE-REGNSKABET FOR 1. HALVÅR 1986				
Mill. kr. (2)	(3) Valuta- indtægt	(4) Valuta- udgift	(5) Netto- indtægt	
Varehandel (6)	88.020	93.105	+ 5.085	
Søfragt (7)	11.180	9.610	1.570	
Turisme (8)	5.950	7.645	+ 1.695	
EF (9)	4.055	3.115	1.740	
Andet (10)	7.985	6.325	1.660	
Varer og tjenester i alt .. (11) ..	117.970	119.800	+ 1.830	
Renter m. m. (12)	8.785	22.419	+ 13.630	
Gaver m. m. (13)	430	2.940	+ 2.510	
Rente og gaver (14)	9.215	25.355	+ 16.140	
Betalingsbalance i alt .. (15) ..	127.185	145.155	+ 17.970	
Finansiering af underskud (16)				
Lånt i udlandet (17)			3.500	
Brugt af valutareserven (18)			14.300	

Source: Department of Statistics

Provided one can trust the figures published by the Department of Statistics, the above is Denmark's balance of payments account.

Key:

1. Balance of payments account for first half of 1986.
2. Million kroner
3. Foreign exchange earnings
4. Foreign exchange expenditures
5. Net earnings
6. Goods trade
7. Sea freight
8. Tourism
9. EC
10. Others
11. Goods and services total
12. Interest, etc.
13. Grants, etc.
14. Interest and grants
15. Total balance of payments
16. Financing of deficit
17. Loans abroad
18. Foreign exchange reserves used

Weak Exports Major Cause

Copenhagen BERLINGSKE TIDENDE in Danish 16 Aug 86 Sect III p 4

[Article by Hugo Gården]

[Text] The government has had remarkable success in various economic areas but has, at the same time, had to recognize the fact that it will not be possible to meet the balance of payments goals. However, the government now appears to be stressing the importance of not allowing efforts to reduce the balance of payments deficit to check the growth and ruin the results achieved, such as the large increase in the rate of employment.

In certain areas, the government has had far greater success with its economic policy than it expected when it came into power in 1982. However, in one main area, things have gone in the opposite direction, viz. the area of the balance of payments.

Minister of Finance Palle Simonsen (Conservative Party) said when submitting the budget proposal for 1987 that the government has solved the task, as far as the general economic development is concerned.

And that is not entirely wrong:

1. A budget surplus has been achieved 4 years earlier than expected by the government.
2. The unemployment rate has been stepped down to a larger extent than previously assumed. Since 1982, the rate of employment has increased by 185,000 persons.

To this comes a sharp decline in the interest rate, and a real income improvement is likely after several years of real income setbacks. The debt of the state has leveled off, and measured in terms of a percentage of the gross national product, the GNP, it is now a question of a fairly large decline in the national debt. That will also lead to a decline in interest costs. There has been a zero-growth rate within the public sector, and that means that the upswing--both as far as the employment situation and the economy are concerned--has taken place within the private sector.

1988-Target Abandoned

However, for the first time, the government has now abandoned its hope of achieving its other important goal: achieving a balance of payments equilibrium in 1988. Palle Simonsen says it in the diplomatic way that "it will hardly be possible to achieve equilibrium in 1988," and that is due to an evaluation that this year's deficit will also become very large, probably around 28 billion kroner, like last year.

The government has previously said that it is possible to reduce the deficit by 11 billion kroner on an annual basis, but even if this optimistic view should hold true, there will still be a fairly large deficit at the end of 1988.

The balance of payments will still have first priority in the economic policy. But there are indications that the government is considering the balance of payments problem from a new angle.

Palle Simonsen thus now stresses that a reduction of the balance of payments deficit must not be allowed to take place at the cost of the economic development and employment. A couple of days ago, the minister of finance said that the balance of payments has first priority, "but there must be scope for growth and progress."

Choice of Growth

When submitting the budget proposal, he said that it would be easy to achieve equilibrium, but, if so, it would have an adverse effect on the employment situation and the economic development. "The government, however, has chosen to utilize the favorable economic development to ensure the marked increase in investments within the business sector and in the rate of employment," he said.

That explanation may appear to be somewhat far-fetched, for it might have been presented already several months ago if, at that point, the government had actually chosen to put the emphasis on growth and had thus postponed the date for achieving a balance of payments equilibrium. The Independent Advisory Council thus said in December of last year that the government ought to change its priorities now that the budget is improving at a far faster rate than expected. The Independent Advisory Council did not deem it to be of decisive importance whether a balance of payments equilibrium would be achieved in a certain year. The most important thing is that an improvement takes place, and that the foreign debt is being reduced. For it is the interest payments to foreign countries which cause the large deficit, this year of approximately 26 billion kroner.

But the government has wanted to adhere to its goal for psychological reasons, in order to maintain 'the inner discipline.'

Some Reasons

There are many reasons why the balance of payments developments have been worse than expected. Interest payments weigh heavily. The increased employment rate and the large investments within the business sector have caused a very high rate of import, and that has a negative effect on the balance of payments. To this comes an unexpected and long-term high rate of private consumption. The rate of export has been lower than expected by everybody in 1985. There is a decline in agricultural exports, and industrial exports have not recovered from the strike last year. The loss was equivalent to 2

percentage points of the increase in exports, and that loss has not been regained. That also means lost market shares. This circumstance is far more important than the high rate of growth within the domestic market, the industry says.

The most recent economic indicators of the Department of Statistics show that the industrial sector expects no changes in the rate of production in the third quarter, and that the volume of export orders was somewhat smaller than is normally the case at the end of June.

The Federation of Danish Industries expects an increase in the rate of exports next year by 5 percent, and that is more or less the same increase that is expected by the government. But whereas the government expects to recover some of the lost market shares, which became a fact last year, the Federation of Danish Industries is less optimistic.

Main Problem: Low Export Rate

And we are now at the heart of the domestic economic problems. The unemployment rate and the various kinds of deficit have often been referred to as the major problems. But, in actual fact, they may rather be symptoms of more fundamental problems, viz. that the production sector is too small and the consumption sector too large.

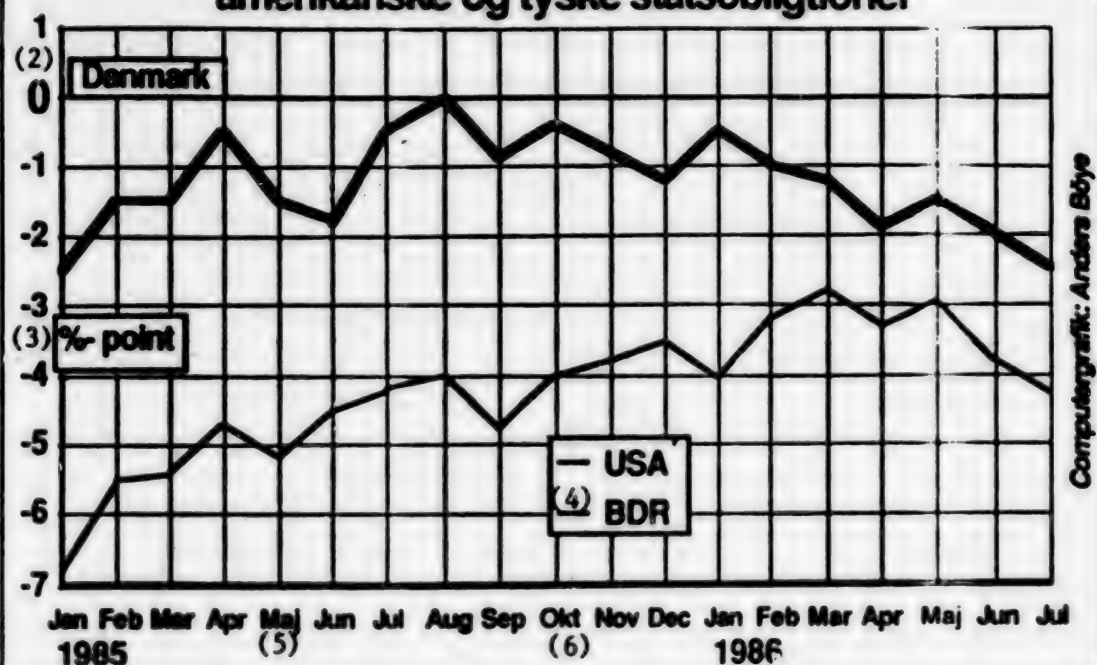
According to Verner Puggaard, department chief, the Federation of Industries, the main problem is the insufficient growth rate within the industries competing abroad. The industrial sector, for example, is 30 percent smaller than that of Western European countries in general, and the public sector is larger than is generally the case in Western Europe. The structure is thus lopsided. There simply are too few people involved in earning foreign currency for the country and in settling the foreign debt.

The remarkable thing about the development during the last 4 years is the fact that nearly the entire increase in the employment rate has taken place within the private sector--both within the domestic market and within the export industries. A growth phase has thus been initiated. But it has not been completed, and as long as that phase is in progress, it will be difficult to settle the balance of payments deficit.

Within the business sector, there is obvious relief that the growth policy has been given a high priority--that growth will not merely have to be suppressed in order to achieve the balance of payments objective.

The question, therefore, is whether the government has become a prisoner of its two objectives. At any rate, it may now be ascertained that emphasis is also placed on employment and export--like some kind of objectives.

(1) Rentespænd mellem danske,
amerikanske og tyske statsobligtioner



Key:

1. Interest differentials between Danish, American and German government bonds.
2. Denmark
3. Percentage point
4. Federal Republic of Germany
5. May
6. Oct

7262

CSO: 3613/187

ECONOMIC

ITALY

SITUATION IN STATE HOLDINGS

Rome AVANTI! in Italian 10 Jan 86 pp 1, 15

[Article by Gaetano Mancini, vice president of EFIM: "Cannibalistic Operation Among PP.SS. Member Enterprises"]

[Text] The need to bring order into the PP.SS. [State Holdings], after years of squandering of funds and of easy access to appropriated funds, has imposed on the state agencies and corporate bodies a policy of greater austerity and, above all, one strongly anchored in the current industrial situation.

Against this background and in keeping with the stated need, several agencies have undertaken and are currently undertaking a streamlining and restructuring of the state holdings operating under their responsibility, with the aim of improving economic results, responding to major concerns regarding innovation, and opening the way to a more rational and enduring process of growth.

The EFIM, which has grown haphazardly on the basis of a welfare-state and pure and simple bailout approach, is now putting its house in order, using all its resources to bolster and restructure the four sectors that comprise the base of its global strategy (aeronautics, defense systems, transportation systems, and new materials).

These are four sectors replete with future promise, and that are high-technology-intensive, strategically important for the country, and closely linked to each other.

The decision--a sound one--finds the EFIM committed to the carrying out of a rigorous program aimed at transforming itself from a poly-sectorial group into an integrated group.

Therefore, it is a decision that, having after all been approved by the controlling Ministry and Parliament, should have found consensus and support, but that is instead being hindered in every way possible by political splinter forces operating under the control of well-defined power groups.

The stakes involved are understandable, as are also the motives that pit the private sector against public-sector industry, and in particular against the latter's strategic sectors. They are understandable even though it be agreed that these initiatives should be opposed and rechanneled towards a proper public-sector/private-sector relationship.

What is not understandable, however, is the free-for-all that has been unleashed among state agencies in the name of a so-called streamlining devoid of all industrial rationale, with the aim of dismembering certain important sectors of the EFIM in favor of another agency.

The need to maintain or acquire soundly-based and vital industries and to divest those that are bankrupt and futureless, so as to restore one's financial health, is a well-founded need and should be supported if it generates positive results for the PP.SS. system as a whole. If on the other hand, however, it generates benefits for one agency to the detriment of another, it must be forcefully rejected.

The phenomenon involved in the latter case is a cannibalism of the worst kind, of which neither the political forces, nor the Parliament, nor the Government can afford to become accomplices.

The statements of the minister of PP.SS., reiterated before the House's Parliamentary Committees and used as a basis for expediting the transfer of the EFIM's aeronautics sector to IRI-FINMECCANICA, and the provocative proposal to "indemnify" the EFIM by transferring to it ENI's metallurgical and mining enterprises (400 billion lire of annual losses), are certainly not based on a sound industrial logic; they reveal and exhibit an obstinate intent to institute a one-way rationalization of sorts, contrary and at best belated with respect to the EFIM's strategic plans, which, as pointed out above, have already been approved and by the very same Ministry.

If between the controlling Ministry and the EFIM there had been a relationship involving exchanges of views and of knowledge, as it may be assumed there is between the Ministry and the IRI, we are certain that the statements and proposal cited above would not have been made, and that account would have been taken of the outlays made by the EFIM to recapitalize the Agusta Group (320 billion lire during the years 1985 and 1986), and of the operational efforts deployed by the Company to revert, in the space of 3 years, from a position of losses totaling 180 billion lire to one of economic viability.

We are equally certain that, had there been a different dialectic, an operative distinction would, at the very least, have been drawn between a fixed wing and a rotating wing; and that, in any case, instead of expediting disjointed solutions, proposals would have been examined that were aimed at addressing the problem in the far broader terms of a comprehensive review of all industrial sectors of the PP.SS., or at least of their largest and most promising sector: Aerospace.

This did not happen, and an erroneous basic proposal could spawn only further blundering proposals.

What is beyond understanding is why, from the standpoint of wanting to compensate or indemnify, consideration was not given to EFIM's particular areas of specialization and its planning decisions, and why, based on these, it was not proposed, for example, that Selenia and Ansaldo be transferred to the EFIM, which is the absolute leader in defense systems and transportation systems.

Instead, it was preferred to suggest, in muted tones and by way of example, that ENI's mining and metallurgical activity be transferred to EFIM. We would not want this to be intended as part of the broader and unthinkable design, which is also being unconscionably discussed, and which would turn the EFIM into a nursing home for bankrupt and futureless enterprises, destined to produce solely the raw materials that other, public and private, enterprises would buy at prices necessarily lower than production costs, pegged at an international level, to process them and tack on the added value.

If some group is nurturing the idea of eventually realizing a thus concocted and totally irrational design, through a policy of small steps, of which the dismembering of Agusta from the EFIM, with relative "indemnity," is the starting wedge, to be followed by successive dismemberings and new "indemnities," it is incumbent on the Government to intervene in full collegiality to rechannel the discourse on state holdings toward its proper aims.

Traumatic solutions and self-serving restructurings do not generate positive results, but rather are always the cause of conflicts or, at best, confusions.

The system of state holdings is in genuine need of a deeper-delving discourse, and this discourse can only be conducted in a climate of serene and diligent evaluation of all the implications involved in the process of the country's industrial growth.

9399

CSO: 3528/180

ECONOMIC

ITALY

ISCO PREDICTS SLOW ECONOMIC RECOVERY

Rome LA REPUBBLICA in Italian 17 Jul 86 p 27

[Article by Alessandra Carini; first paragraph is LA REPUBBLICA introduction; boxed insert follows after main body of article]

[Text] The ISCO [National Institute for the Study of Economic Conditions] report outlines the Italian economic situation and warns of autumn dangers. Inflation still lurks around the bend. "Economic policy must manage disinflation," says the Institute. "The risk lies in the possibility that an uncontrolled capacity for acquisition may develop and accelerate the rise of demand, resulting in higher prices and higher levels of imports."

Rome--We are not on the verge either of a recession or of a 1929-style catastrophe. But anyone who thinks that in the near future the economy will be returning to the growth rates that prevailed during the 1960's is at risk of being disillusioned. Economic recovery will be slow and will exhibit moderate tonings, not to the point, however, of reabsorbing unemployment in the industrialized countries or resolving the structural problems of the Third World. In this context, and beginning no later than around the end of this year, Italy must address the problems of its economy or face the risk that the rise in demand will in turn spawn inflationary pressures and throw its foreign accounts into disarray. This is the worrisome message being conveyed by ISCO's voluminous report on the Italian economic situation.

At the same time, the Institute issues a call to the Government bodies that regulate economic policy: "Managing a disinflation is no less difficult than managing an inflation; actually, the instruments used must be more flexible and finely tuned. Moreover, the fact cannot be underestimated that while inflation can, at its worst, benefit those few who are in a position to set their own prices, even though to the detriment of the many, disinflation can also favor some and penalize others." In sum, Italy has profited greatly from the oil glut, but it must now manage the steps that follow "if we are not to invalidate a one-time opportunity of which other economic systems have been able to take advantage."

The first problem, says ISCO, is that of the international context in which the economy finds itself having to operate. Although the process of

adjustment to the new conditions created by the downward plunge of oil prices was rapid from the standpoint of disinflation, the same cannot be said as regards an economic rebound. The rebound has slowed and the effects of the changes in exchange rates "appear destined, in the near term, to depress rather than stimulate the recovery of trade volumes." The current situation of "moderated growth" will thus continue for some time yet, damping the optimism that has characterized the most recent economic analyses.

Italy thus finds itself having to operate in a more difficult context than could have been imagined at the outset. True, successes have been chalked up by the productive system, which has "conducted a drive toward rationalization." And the beneficial effects of the oil glut are still operative: The rapid improvement of our balance of payments, and the downturn of inflation, less rapid though it is. However, the economic system needs to expand production, and this "places precise constraints on the management of economic policy." The clouds are gathering, particularly over this year's autumn and over 1987. "The risk is, in fact, as has been seen, that the forming of inadequately controlled acquisitional capacity will lead to a speed-up of domestic demand, to which the market could respond, at least in part, in terms of higher prices and rising levels of imports."

The risk, says ISCO, "is anything but remote," given that already as of now, the abatement of inflation is being slowed by the very fact that industries are taking advantage of a fast-rising domestic demand to keep their prices relatively high. "Economic policy must therefore be applied diligently to correct, in timely fashion, for eventual departures from policy lines aimed at stabilization, and to avoid the return in force of the foreign constraint." In fact, says the Institute's report, by the end of next year at the latest, the effect of the reduced cost of imports will have run its course. This will have a slowing effect on the inflationary downturn. Should domestic demand--fueled by public spending and/or by the increase in family incomes--rise too high, the problem of inflation could return for another bite out of the economy.

In sum, the drop in oil prices has provided "a priceless temporary respite" in which to operate free of the stricture of structural constraints. "A not insignificant portion of this breather has already been used up and the time is not distant when many fresh starts will have lost their momentum." It will then be important, the Institute concludes, to return to managing our economic policy, and "to be on the alert lest natural changes in certain trends come to be accepted indiscriminatingly."

[Boxed insert]: Prices Not Dropping, Fault Is Industry's

Rome (M. R.)--If inflation is not diminishing with due speed, it is owing to the policies being pursued by broad sectors of Italian industry which, in the face of a particularly active domestic demand, are preferring to raise prices rather than increase their production. This is the surprising

Two Years of Growth at 3 Percent

	1986	1987
Tasso di sviluppo (1)	3.0%	3.3%
Importazioni (2)	9.0%	9.5%
Esportazioni (3)	5.0%	5.5%
Bil. Pagamenti (4)	+9.500	+5.000
Inflazione (5)	5.8	4.5
Investimenti (6)	4.7	5.0
Costruzioni (7)	1.0	1.5
Attrezzature (8)	8.0	8.0

Key:

- | | |
|-------------------------|------------------|
| 1. Growth rate. | 5. Inflation. |
| 2. Imports. | 6. Investments. |
| 3. Exports. | 7. Construction. |
| 4. Balance of payments. | 8. Equipment. |

Inflation Gap Between Italy and Other Countries

	USA	JAP	(1) R.F.	FRAN.	G.B.
1981	7.5	12.9	11.5	4.7	5.9
1982	10.3	13.7	11.2	4.6	7.9
1983	11.4	12.8	11.3	5.1	10.0
1984	6.5	8.6	7.4	3.2	5.9
1985	5.6	7.2	7.0	3.4	3.1
1986 1 st trim. (2)	4.7	6.4	7.1	4.3	2.9
2 nd trim. (2)	5.1	5.7	6.8	4.2	3.7

Key:

- | | |
|---------------------------------|-------------|
| 1. Federal Republic of Germany. | 2. Quarter. |
|---------------------------------|-------------|

conclusion arrived at by ISCO in its most recent report. A few, but significant observations suffice to clearly demonstrate the phenomenon.

When we hear of a downward trend in wholesale prices, we immediately tend to consider the phenomenon an act of good will on the part of the business firms, in which the latter opt for transferring lower production costs into a lowering of their prices. In reality, however, wholesale prices are not solely those of manufactured goods but include also the prices of raw materials and of oil. Actually, only the latter two have flexed. During the first 4 months of the year, the drop in terms of the trend line of raw-material prices amounted to 11 percent, while that of crude oil prices was 38 percent. Despite these hefty drops, the prices of manufactured goods showed an overall rise, still in terms of the trend line (that is, with respect to last year), of 4.8 percent, if the by-products of oil and coal are excluded.

But if productive inputs are costing less and less, why have the business firms raised their prices? Has a strong upward pressure materialized perhaps tending to push up labor costs? ISCO responds "No." The wage dynamic has shown less of a tendency to rise than last year. A more plausible explanation, instead, particularly as regards the traditional industries, is that of an upward thrust stemming from demand, in the face of which the business firms are playing the price-rise card, partly because, in the wake of widespread internal restructurings they are for the moment unable to upgrade their product lines, and partly because, instead of increasing their production, they prefer to raise their profit margins. This can only hinder the abatement of inflation and stimulate imports. The sharpest rise in wholesale prices of manufactured goods during the first 4 months of the year took place in the footwear industry (+4.4 percent), followed by that in the mechanical industries (3.3 percent).

There is plenty of room for a more decided lowering of prices on the consumer side as well, where, without even counting the costs of services, "far from negligible price rises" are being posted. Thus, during the first 5 months of this year, consumer prices in Italy have risen 2.6 percent as compared with the French +0.6 percent, the British +1.9 percent, and the German -0.9 percent.

9399

CSO: 3528/180

ECONOMIC

NETHERLANDS

EXPORT CREDIT LOSSES DOWN

The Hague ANP NEWS BULLETIN in English 23 Aug 86 p 3

[Text] Amsterdam, 22 Aug—The Dutch state cut its losses on export credit guarantee business in the first half of this year, figures released by the Netherlands Credit Insurance Company (NCM) showed today.

NCM insures Dutch companies against the risk of non-payment by their customers at home and abroad. Political risks associated with export orders are reinsured with the Dutch state.

NCM insured transactions worth 31.1 billion guilders in the first half of 1986 against 30.4 billion in the same 1985 period.

The value of export transactions insured dropped to 10.7 billion guilders from 10.9 billion a year earlier as a result of the decline in cash terms of Dutch exports.

The Dutch state received 76 million guilders in premium revenue in the first half of this year but had to pay out 193 million guilders in indemnification to policy-holders.

Debts

In addition to premium revenue the state recovered 100 million guilders in debts which reduced the overall loss for the six months to 17 million guilders.

In the first half of 1985 state premium revenue totalled 59 million guilders, indemnifications 390 million, debt recoveries 87 million and the overall loss 244 million guilders.

NCM itself made a modest 7.1 million guilder profit on its own domestic and foreign credit insurance business in the first half of this year.

NCM is a private company whose shares are held by Dutch banks, insurance companies and finance companies.

/9274

CSO: 3600/35

ECONOMY

NETHERLANDS

EFFORTS FOR SHORTER WORK WEEK CONTINUE

The Hague ANP NEWS BULLETIN in English 15 Aug 86 pp 3-4

[Text] Amsterdam, 14 Aug--The idea of cutting the working week as a means of tackling mass unemployment has been largely abandoned in Europe. But Dutch left-wing opposition parties are set to revive it with a campaign to reduce the accepted norm to 36 hours a week from 38 hours now and 40 in 1984.

Official figures put Dutch unemployment in July at 713,300--down from 763,400 a year ago but still almost 12 percent of the working population.

When next year's budget is presented to parliament on 16 September, the opposition parties will re-open the long-running debate on a shorter working week, said a spokesman for the Labour Party, the biggest opposition group.

Labour's programme for the general election in May called for a working week of 32 hours by 1990, but a spokesman for the party said they had adopted 36 hours as a more realistic target given resistance from industry to further reductions.

Prime Minister Ruud Lubbers' Christian Democratic party and its right-wing Liberal coalition partners also see reducing the working week as a laudable objective.

But Lubbers, outlining the policies of his new government last month, focused on the need to keep labour costs down to increase business competitiveness.

Bank's Warning

Under Lubbers' first cabinet in 1982-86, the Dutch economy picked up enough to begin reducing employment, but the recovery was fragile. A reports from a leading Dutch bank said recently that much of the improvement was due to factors that could not be relied upon to continue including wage moderation.

Dutch wage bargaining over the past four years has been dominated by trade-offs between pay and hours. Whole sections of workers accepted a wage freeze, and sometimes cuts, in exchange for shorter hours and earlier retirement.

Although unemployment remains unacceptable high, the unions can no longer rely on the willingness of members to make cash sacrifices to save jobs.

Labour leader Wim Kok, former chairman of the leading trade union federation FNV, understands the dilemma and is fighting in Parliament for government action to back the federation in a campaign for a shorter working week accompanied by small pay increases.

The FNV maintains a target of 32 hours for the working week, but the employers' organisation VNO is resisting further cuts, saying it would weaken Dutch industry in the face of its foreign competitors.

Employers' Answer

Its answer to unemployment is better training, early retirement, part-time jobs for young people and a lower minimum wage.

Leading employers are adamant that they have gone far enough and that Labour and the trade unions might have a battle on their hands.

At Philips, Europe's biggest electronics firm employing 71,000 people in the Netherlands, a spokesman said cuts in labour time in 1985 were having negative effects.

'In the long run the number of jobs could fall because cutting hours adversely affects the level of activity and competitive edge,' he said.

An official at food and household goods conglomerate Unilever, employing about 10,000 people in the Netherlands, said the shorter working week had damaged efficiency.

A spokesman for chemicals concern Akzo, with 23,500 staff in the Netherlands, said short time working had gone far enough. 'The average week is down to 38 hours and that's it,' he said.

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CSO: 3600/34

ECONOMIC

NORWAY

STATISTICS OFFICE REPORTS WEAKENING IN 'MAINLAND' ECONOMY

Oslo AFTENPOSTEN in Norwegian 13 Aug 86 p 33

[Article by Cecilie Norland: "Situation Disturbing for Mainland Norway"]

[Text] Mainland Norway's foreign deficit is increasing dramatically and amounted to 44.4 billion kroner for the first 7 months of this year. Thus the foreign trade balance has deteriorated by 62 percent compared to the same period in 1985, according to preliminary figures from the Central Bureau of Statistics. Even if oil and gas exports are included, there is a deficit of 12.04 billion kroner for the period from January through July.

This July the deficit was 2.3 billion kroner. Product imports last month amounted to 12 billion kroner while exports totaled 9.7 billion kroner. This means that imports are 23 percent higher and exports 24 percent lower than they were last July.

Including oil and gas exports, Norway exported goods worth 72.3 billion kroner in the first 7 months of this year. At the same time we imported goods worth 84.4 billion, giving a deficit of 12.04 billion kroner. In the same period last year we had a surplus of 22.4 billion kroner. The figures do not include the value of ships and oil platforms.

The value of Norwegian oil and gas exports has also declined due to the drop in oil prices. From January through July of this year we exported oil and gas worth 32.3 billion kroner, a decline in value of 35 percent compared to the same period in 1985.

Worse Than Expected

"The decline in mainland Norway's exports in the past year has been sharper than we expected just a year ago. We will combat this drastic situation with various measures that will be presented in the Storting report on foreign trade that will be ready at the end of the summer," said Trade Ministry Under-secretary Karin Stoltenberg. She explained the deterioration by saying that Norway's competitiveness has become increasingly weaker.

Mainland Norway has had a deficit for several years, but in the past this deficit was offset by our large oil revenues. The decline in oil prices has

exposed a situation that we could live with if necessary when oil prices were around \$30 a barrel, according to Stoltenberg.

"Competitiveness has weakened more than we expected. This is partly due to price increases, but I also think we must face the fact that both the authorities and the business sector have relaxed a little under the shelter provided by the oil revenues," Stoltenberg said.

She could not say which concrete measures the Storting report will contain, but said that the main emphasis will be placed on strengthening existing measures to promote Norwegian exports. "The authorities will emphasize supporting the business sector's own measures, but we cannot expect the competitiveness of the Norwegian private sector to improve overnight," Stoltenberg stressed.

6578

CSO: 3639/148

ECONOMIC

NORWAY

ENERGY MINISTER OIEN ON IMPACT OF LOWER OIL EXPORT EARNINGS

Oslo AFTENPOSTEN in Norwegian 18 Aug 86 p 2

[Op Ed Article by Oil and Energy Minister Arne Oien: "Misfortunes Seldom Come Singly"]

[Text] In 1985 private consumption rose by 8.2 percent, in other words private consumption increase around 10 billion kroner more than planned. The strong growth in consumption last year came as something of a surprise to most people. However it was a result of nonsocialist policy. The comprehensive "savings-stimulating measures" with tax benefits obviously did not work. When this became clear the nonsocialist government did not put the brakes on but left things alone until after the election and through the winter of 1986. In hindsight it can be seen that this development did considerable damage to our economy. This is especially true of the pressure effect on the economy which has speeded up price and cost increases.

Dragging Their Feet

Misfortunes seldom come singly. The state's oil and gas revenues could under certain circumstances decline from 51 billion kroner in 1985 to only 8 billion in 1987. The reason is the sharp drop in oil prices. While last fall we had a price of over \$30 a barrel, we saw prices of less than \$10 a barrel this summer. In 1973-74 and in 1979-80 oil prices shot up and created optimism and a desire to invest in the continental shelf. Today the situation is the opposite. Oil companies are dragging their feet. Even though they work with a long-range time perspective, many have already cut down on their exploration and drilling activities.

This raises several questions. What consequences will the uncontrolled growth of consumption in 1985 and the dramatic decline in revenue have on our national economy? How will oil prices develop in the future? Which strategy should the government use in the situation we find ourselves in now?

Unthinkable

The decline in oil prices has led to demands that we tighten our belts. Many point to the necessity of cutting down on public spending so that we can better adjust to lower revenues. However cutting public spending to match

the drop in revenue would be an unthinkable and unrealistic policy. If we cut public spending to that extent it would have a drastic effect on the health sector and the schools.

The challenge is to implement the necessary austerity measures without jeopardizing employment. We must check consumption growth without harming the tasks with the highest priority. This indicates that it is especially private consumption that needs to be curtailed.

Unemployment

Experiences from other industrial countries show that austerity policies that are too stringent create mass unemployment. They also show that those who have been out of work for a long period of time have a hard time entering the job market again. Thus highly restrictive policies lasting for several years can remove large groups of people from the labor market on a permanent basis and impose serious social costs on the country.

The need for austerity measures is often justified on the basis of the balance of payments and competitiveness. I want to warn people strongly against putting too much emphasis on short-sighted development trends in this context. The growth in current consumption should at all times be adjusted to anticipated future revenues. If we believe that oil prices will be higher in the future it is not necessary to offset current loss of revenue entirely by reducing expenditures today. If we then borrow money abroad for a few years we will scarcely weaken our freedom of action significantly.

Oil Prices Up?

How much faith should we have that oil prices will rise? Haven't oil prices fluctuated so much that they could just as well continue to go the wrong way? It is impossible to say with certainty what the oil market will look like in the years ahead. And the uncertainty applies in particular to the next few years. But the lower oil prices are in this period, the greater the likelihood that oil prices will rise sharply in the 1990's. As far as I can see today, only a combination of special and fairly extreme negative factors could lead to low prices continuing all the way to the year 2000. An early improvement is also possible. Another accident like the one at Chernobyl or an expanded military conflict in the Middle East could jolt prices again. Under such circumstances prices would reach heights that seem unrealistic today. Such events are not desirable, of course, but they can happen and at the same time they are impossible to predict.

Therefore there is reason for cautious and conditional optimism with regard to future price developments. With high oil prices a payments balance could be restored rapidly and there is much to suggest that the unrealized assets on the continental shelf will produce contributions to revenue in the future. However optimism should be restrained so that we do not put all our eggs in the same basket. We must not put ourselves in a position that makes it impossible for the nation to restore its economy if expectations and price forecasts prove to be incorrect.

Stimulation

Therefore the policy we pursue must be aimed at stimulating land-based businesses subject to competition that are not dependent on oil. At the same time the authorities should base things on the assumption that the oil industry will probably be profitable in the future. In this context the state must be able to assume a considerable economic risk. Here too, however, it is a question of how many eggs we dare to put in one basket.

To sum up, surely the conclusion should be as follows: Low oil revenues today are not a sufficient argument for corresponding cuts on the spending side.

We must continue to pursue a policy aimed at avoiding mass unemployment. Some cuts will have to be made in any case due to price and cost pressures on the economy. These should apply primarily to private consumption so that resources can be used where they are needed and where they can give the highest return in the future. With a majority supporting such a policy, the future will look brighter than the present oil prices might suggest.

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CSO: 3639/147

ECONOMIC

PORTUGAL

BRIEFS

DEBT RENEGOTIATION AGREEMENT--The Council of Ministers meeting today approved the text of an agreement to be entered into immediately with the Government of the People's Republic of Mozambique with a view to a renegotiation of that country's external debt to Portugal, an agreement which would make it possible to settle, once and for all, an issue that has been lingering for several years. [Text] [Lisbon International Service in Portuguese 1800 GMT 28 Aug 86 LD] /8309

CSO: 3542/151

ECONOMIC

TURKEY

MORE PRICE HIKES, RISING INFLATION PREDICTED

Istanbul CUMHURİYET in Turkish 26 Jun 86 pp 1, 13

[Editorial by Hasan Cemal: "Economic Notes"]

[Text] Generally, toward the middle of every year, "labor pains" grip the economy. The figures for the year's first half slowly rise to the surface and the plans for the second 6 months are begun.

Work commences with the budget. Investments are reviewed. Revenue and spending increases are compared. Whether to cut spending is debated. Next comes foreign debt and foreign exchange reserves. Problems, if any, are taken up one by one, and recommendations follow one after another.

This year, developments during the first 6 months were the topic of three "economic summit" meetings taking place back-to-back during the past month. The information flowing from these meetings, chaired by Prime Minister Ozal, was open to different interpretations. We think therefore, that economic directives from the prime minister, who holds the reins of the economy, to relevant units will also cast light on certain political accountings in the near future.

According to official sources, investments increased 100 percent over last year during the first 6 months. Consolidated budget investments during the first 4 months totaled 426 billion [liras].

While budget revenues showed an increase of 71 percent, expenses grew even more. A budget deficit of 184 billion for the first 4 months and 200 billion for the 6 month period is anticipated.

A \$1 billion payment on the foreign debt due in July is depleting bank resources. Import transfers have begun to back up. A new plan governing importation as a means to remedy scarce foreign reserves is expected.

Investments and imports are two important elements of this economic scenario on which Prime Minister Ozal is conspicuously inactive. He is not anxious to impose restrictions on investments deemed imperative according to technicians. To the contrary, he has begun searching for new resources for certain investments. As for restricting imports, does not want to give the impression that he is departing from his "liberal" stance.

The status of the basic economic indicators according to a note prepared by our Economic Service is as follows, with their paragraph headings:

Gross National Product Growth Rate: First estimate in August; expected to be over 5 percent.

Unemployment: There is no indicator giving the nationwide unemployment rate in Turkey. However, unemployment figures compiled by the Labor and Employment Council continues to grow. Exceeded 1 million for the first time last April.

Inflation: According to the wholesale goods price index, rise was 27-28 percent increase during past 12 months (May 1985-May 1986). More directly affecting the consumer, retail or consumer price indexes showed a 12-month increase of 36-38 percent.

Monetary Indicators: Of the monetary indicators hypothetically having a delayed effect on inflation, the printing of new currency and bank credits rose quite rapidly compared to last year. Rapid expansion in the monetary indicators seems of a nature to cause a rise in inflation after a given period of time (say 4-6 months).

Foreign Trade: In the first 3 months of this year, exports increased around 5.5 percent and imports around 15.5 percent with the foreign trade deficit increasing 43 percent.

Balance of Payments: There was a definite slowdown in worker remittances and tourist revenues during the first 3 months. In contrast, interest payments and tourism expenses increased. As a result, the current account deficit, the most important measure of the foreign performance of the economy, showed an increase of 206 percent in the first 3 months of this year as compared to the same period last year, rising from \$227 million (1985) to \$694 million.

Balance of Foreign Reserves: A slowdown in imports, and thus in the exit of foreign exchange, and an increase in the entry of foreign exchange during the second half of the year is expected. The Treasury and Merkez Bank is strengthening its position with new foreign loans, meanwhile, and says it is preparing for the foreign loan installment at the end of June or the beginning of July.

A decrease in payments for oil in the second part of the year will also improve the situation, say officials.

Warming Trend in Economy: It is not generally believed that inflation will drop and emerge at around 25 percent. Also, deposit interest is falling. There is a noticeable increase in the demand for real estate and durable goods. Buyers must wait to purchase cars, and sales of appliances are satisfactory. If the balance of supply and demand is this distorted, it seems unavoidable that it would force the private sector into new price hikes and push inflation up.

Thus is the picture drawn by the dry figures.

Without question, the ongoing fundamental problems are economic hardship, high cost of living and unemployment. It seems, with these figures, that a solution to these problems in the economy is quite far away.

Another factor to be considered concerns the opposition parties. It has been noted that, for a long time, Prime Minister Ozal and his government have proceeded on their economic course with virtual silence from the opposition.

When the Social Democratic Populist Party, as the main opposition will begin to fill that void is still a question mark.

13198/12851

CSO: 3554/108

ECONOMIC

TURKEY

LAND SALES HALTED, PRELIMINARY TO DISTRIBUTION

Istanbul TERCUMAN in Turkish 26 Jun 86 p 9

[Article by Mevlut Isik: "Land Sales Halted in Harran"]

[text] Ankara (TERCUMAN)--Preparations have begun for land distribution in Sanliurfa, which has been proclaimed as a land reform region. "Land request forms" printed by the Land and Agricultural Reform General Directorate are being sent to the region. Meanwhile, all types of land transactions in the Harran Plain and Sanliurfa have been halted.

A notice sent by the same office to the governors of the region reminded them that the region had been declared a "Reform Region".

After the preparations are completed, farmers wishing to become land owners will be asked to apply at the regional directorates. The applications of landless farmers applying to the designated offices within 60 days of the announcement date will undergo immediate evaluation. Announcements, to be made by the usual methods, will be posted in the local civic offices and regional directorate buildings for 60 days.

Distribution in Harran

Officials said that the distribution of land in the Harran Plain will not begin until after 1992 and exercising the powers given them under the law, announced that all types of land transactions were being halted to prevent one person from buying up all the land.

According to officials, 200 donums [1 donum = 940 m²] of dry land or 60 donums of arid land will be distributed to farmers in the region who own little or no land. In addition, the state will provide all types of assistance in credit and in kind to those farmers receiving land. Those wishing to take advantage of the land distribution in Harran should make their application within the 60 day period.

Who Is Ineligible

Anyone convicted of the crimes of discrimination against and openly provoking hatred or hostility toward anyone on account of class, race, religion, creed

or regional differences will not be able to receive land. Also, anyone tried and convicted of subversion or separatism will be ineligible for land distribution.

If any of those receiving land are later tried and convicted on charges of any of the crimes described above, the land they were given will be repossessed.

13198/12851

CSO: 3554/108

ECONOMIC

TURKEY

STATE RAILWAYS READY FACTORIES FOR PUBLIC SALE

Istanbul CUMHURIYET in Turkish 26 Jun 86 pp 1, 13

[Text] Ankara (CUMHURIYET BUREAU)--The State Railway [DDY] has begun quiet preparation for privatization. The facilities in Eskisehir, Adapazari and Sivas have been converted to corporations, laying the legal groundwork for the public sale of stock at the moment desired.

The status of these facilities first appeared on the agenda of the Supreme Coordination Council for Economic Affairs last year at the 2 November 1985 meeting. It was decided in principle that the State Railways railroad car locomotive and machinery factories would be sold to the private sector. The Council of Ministers, as authorized under Statutory Decree No 233, converted the Adapazari, Eskisehir and Sivas factories to corporations in March 1986.

As a result, the Eskisehir factory was reorganized as the Turkish Locomotive Industry (TULOMSAS), the one in Adapazari as the Turkish Railroad Car Industry (TUVASAS) and the Sivas facility as the Turkish Railways Machinery Industry (TUDEMSAS). The Machine and Chemical Industry, the Steel and Iron Works, and the Main Steel and Ship Industry became partners with small shares of all three corporations. All corporation stocks remain in state hands.

This operation took place in early June, in anticipation of completion of the second phase, the sale of stock to the private sector.

Important elements which may create "drawbacks" in the privatization of State Railways factories are listed as follows:

1. Price factor: The three factories produce locomotives, cars and railway machinery at low cost to the DDY. They also provide maintenance services. With the factories owned by private corporations, price increases are feared.
2. Assessment: In partnerships between the state and the private sector, an accurate assessment of the value of the facilities is desired. It is pointed out, for example, that the 400 housing units at the Sivas TUDEMSAS factory have been valued as capital in kind at a total of 750 million liras.

3. Employment: It is feared that, during privatization, jobs may be lost at the facilities, which employ an average of 3,000-4,000 workers.

Romanian capital is reportedly seeking stock in the Eskisehir facility where privatization will begin in the next few months. The name of Sakip Sabanci has been noted among possible investors in the factory in Sivas.

13198/12851

CSO: 3554/108

MILITARY

FEDERAL REPUBLIC OF GERMANY

MBB, AEROSPATIALE ANS ANTISHIP MISSILE PROJECT OUTLINED

Munich-Ottobrunn MBB INTERNATIONAL in German Jun 86 p 3

[Article: "ANS: Next Generation of Antiship Missiles"; first paragraph is MBB INTERNATIONAL introduction]

[Text] Ottobrunn--Modern warships will have very efficient sensors and defense systems in the next decade for use against the antiship missiles of today. At the beginning of the 1980's, Aerospatiale and MBB started joint development of the next generation of their existing Exocet and Kormoran antiship missiles, with self-financing and with participation of the FRG and French governments.

The ANS weapons system achieves enhanced capability to penetrate hostile defenses both by supersonic flight at sea level and by evasive maneuvers with high transverse acceleration during the final phase of flight. In addition, it is possible to saturate hostile defenses with coordinated salvos. The active radar target acquisition warhead is remarkable for its high resistance to interference. The warhead is designed for penetration of the heaviest target vessels with a very acute angle of attack. The system is capable of all weather operation and is completely autonomous after firing (fire and forget). The range depends on the selected flight profile.

The weapons system includes ship/ship, ground/ship, and air/ship versions, both from aircraft and helicopters. The missile versions are distinguished solely by the side-mounted booster rockets. The missile is fired from on-board strategic firing units which are grouped so that each unit contains several missiles. Because of its modular construction and its decentralized, freely programmable computers, the system has high operational flexibility and low risk potential in terms of growth.

The current definition phase runs up to 1986 and includes the testing of all critical components to be developed. The subsequent development and test phase should be concluded by the end of the 1980's so that series production can start at the beginning of the 1990's.

MBB is developing the air-breathing, solid-fuel, ramjet propulsion unit for the missile as well as the warhead. The technology of the solid-fule, ramjet

propulsion unit was flight tested for the first time in 1981 in an experimental program. The efficiency of the warhead has been documented through comprehensive tests both on the high speed sled at the CEL (Centre d'Essai des Landes [Landes Test Center]) near Biscarosse, France, and in the BWB [Federal Office for Defense Technology and Acquisition] test center in Meppen.

8617/6662

CSO: 3528/M196

MILITARY

FEDERAL REPUBLIC OF GERMANY

MBB, AEROSPATIALE BEGIN DEVELOPMENT OF COMBAT HELICOPTER

Munich-Ottobrunn MBB INTERNATIONAL in German Jun 86 pp 1, 4

[Article: "HAP/PAH-2/HAC 3G: The German-French Combat Helicopter Program;" first paragraph is MBB INTERNATIONAL introduction]

[Text] Ottobrunn--The planning and specifications contract for the German-French combat helicopter program was signed on 21 December 1984. The program was launched in May 1984 with the signing of a corresponding governmental agreement for the development phase.

For Germany 212 second generation anti-tank helicopters (PAH-2) will be developed, while for France 75 defense and support helicopters (HAP) as well as 140 anti-tank helicopters with a third generation anti-tank system (HAC 3G) will be developed from a common basic helicopter.

The primary contractor for this demanding bilateral cooperation program, which employs technology of the year 2000, is Eurocopter GmbH in Munich. The company was founded in mid-1985 as an offspring of Eurocopter GIE in Paris, a joint MBB-Aerospatiale company which was established in 1984 for cooperation in the helicopter sector.

The development work, which consists of the development of the basic helicopter and the integration of three national mission equipment package, will be entrusted to MBB and Aerospatiale by Eurocopter. The division of the work respects a quantitative and qualitative balance between the FRG and France. Also, the manufacturing responsibility and risk will be equally distributed between MBB and Aerospatiale. The executive authority is the BWB (Federal Office for Defense Technology and Acquisition) since it is specified in the governmental agreement that the FRG is acting as the so-called pilot nation.

The most advanced technology will be used for this helicopter program. Fiber compound materials will be combined with aluminum alloys for the frame configuration. Backup systems are provided for hydraulics, electrical and fuel systems, autopilot, and so on. For the installation of the two MTM 385-R engines a very efficient IR [infrared] suppressor is under consideration. The system architecture is laid out on the basis of a dual digital data bus. Information is displayed in the cockpit on electronic multipurpose CRT's, two symbol generators, and central control units.

The main rotor uses a fiber elastomer construction, an MBB development which already has demonstrated concept feasibility in bench tests. Compact and strong, it permits installation of a pole-mounted gun sight, and is distinguished by the small number of parts and easy maintenance design. The Pheriflex tail rotor with fiber compound blades is an Aerospatiale development which focuses particularly on the problem of resistance to gunfire.

The basic helicopter has a staggered tandem cockpit and may be piloted either from the front or back seat. It has a planned takeoff weight of 5,400 kg. The structural design criteria for the frame and undercarriage for this helicopter must take into account safety, crash behavior, and resistance to gunfire, not to mention aspects such as ease of repair, weight, and cost.

With this combat helicopter both the German and French armed forces will have at their disposal a weapons system with the necessary technology to face efficiently prospective threats well beyond the year 2000. The level of technology being developed in this program also means a unique step forward for the participating industries.

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MILITARY

NORWAY

SYMPOSIUM ON NORTHERN FLANK AIRS NUCLEAR, REINFORCEMENT ISSUES

Nuclear Weapons Policy Reviewed

Oslo AFTENPOSTEN in Norwegian 12 Aug 86 p 16

[Article by Olav Trygve Storvik: "Nuclear Weapons Storage Sites Approved"]

[Text] "Although there were internal doubts and discussions, in 1959 the Norwegian government approved the construction of special mountain facilities for the storage of nuclear weapons. The NATO infrastructure budget provided the money for building the storage sites. Norway had previously acquired rockets like the Honest John and the Nike that are capable of firing nuclear warheads."

Rolf Tamnes, a researcher at the Defense History Research Center, presented this information yesterday at a symposium on NATO's northern flank that was arranged by the research center. The symposium was attended by prominent researchers from the entire Nordic region as well as the United States, Great Britain and West Germany.

Tamnes said that as far as he knew things never reached the point where nuclear weapons were actually stored in Norway. The two rockets in question have a so-called "dual capability," which means they can be equipped with both conventional and nuclear warheads. The Honest John rocket has been phased out of Norwegian defense, but army divisions in North Norway practiced firing the rocket, equipped with powerful conventional warheads, in the 1950's.

The speech Tamnes made at the symposium was a broad historical presentation of Norwegian policy in relation to NATO from the very beginning and was entitled "Integration and Protection." Tamnes had consulted reports from government conferences at that time, among other things, and was thus able to present new information.

Tamnes said that one aspect that is still unclear is whether the government really intended to build storage facilities for nuclear weapons acquired in a given situation or whether it simply used the nuclear weapons argument to get NATO budget funds. The storage sites could be constructed for regular ammunition that is still in use today.

There is little doubt that for a period in the 1950's practical preparations were made for the use of nuclear weapons in Norway. According to Tamnes individual training in the use of nuclear weapons was begun in 1955 and at the same time simulated nuclear attacks were carried out in military exercises in both Denmark and Norway. This occurred in such exercises as "Strike Back" in 1957 and "Sword Thrust" 3 years later. Plans were also made for passive defense measures such as the evacuation of the civilian population and the dispersal of defense facilities.

According to Tamnes the sources also show that although the Norwegian government agreed after 1955 to a number of measures that could simplify the use of nuclear weapons in Norway, it always tried to retain maximum freedom of action. But starting in 1957 the contours of Norwegian nuclear policy began to take shape. Although in principle the idea of supplying Norwegian forces with tactical nuclear weapons was left open, the Russians were told at the same time that this was highly unlikely. Tamnes referred here to Gerhardsen's speech to the NATO council in Paris in 1957. Around 1960-61 the nuclear arms question was settled for good. While before that time measures had been implemented that made the use of nuclear weapons likely, developments after that time went in the opposite direction.

Both researchers specializing in NATO's northern flank and central government officials who personally contributed to the shaping of security policy are taking part in the debate and it is expected that the research center's symposium will contribute to an increased understanding of developments.

In an introductory speech to the symposium at the Akershus fortress on Sunday evening Defense Minister Johan Jorgen Holst gave a broad survey of the official Norwegian position on security policy problems in the north. The defense minister's speech was thought-provoking when viewed in connection with earlier statements. It created something of a stir among conference participants that two East European cabin cruisers, one Soviet and one Polish, both well-supplied with antennas, drew alongside the Akershus quay at around the same time as the defense minister started his speech.

Soviet Naval Threat Increasing

Oslo AFTENPOSTEN in Norwegian 13 Aug 86 p 16

[Article by Olav Trygge Storvik: "British Retain Amphibious Craft"]

[Text] Great Britain will keep its amphibious craft, which means that the British marine force (Royal Marines) can be brought directly to North Norway, landing exactly where they want to.

Jonathan Alford, deputy director of the Institute for Strategic Studies in London, made this disclosure yesterday at the symposium the Defense History Research Center arranged in Asker. There has been considerable debate in British defense circles about whether amphibious craft can be retained in view of the difficult economic situation and cuts in the defense budget. The

amphibious craft are old and in great need of modernization. According to Alford the decision to keep the vessels until near the end of the century has already been made. Alford said his remarks were based on information received from a central source.

Not only will the amphibious craft be modernized, the British Defense Ministry is also planning to purchase maritime helicopters and landing craft. All in all this will make it possible for British defense planners to implement amphibious operations on the northern flank and especially in North Norway, where the need for the efforts of military forces is greatest. From the Norwegian point of view in particular it is very important that the British Royal Marines will continue to retain their amphibious capacity. This makes the force a unique and flexible military instrument in the defense of North Norway, where there are few lines of access. Without the vessels this force would have to be shipped to Norway on civilian passenger ferries, making it necessary for the force to come ashore in one of a limited number of harbors.

Dramatic Change

Both Alford and the former chief of NATO's Northern Command, Sir Anthony Farrar-Hockley, stated quite clearly that from Great Britain's point of view the threat has changed dramatically in a relatively short space of time. The change is due primarily to military technology developments, with the expansion of a Soviet fleet that is capable of carrying out quite extended operations in the Norwegian Sea. This has led British defense planners to turn their eyes northward to an increasing extent and accept the consequences for the orientation of British defense planning. The continued emphasis on a more effective amphibious force must be seen in this perspective.

Traditions

However General Farrar-Hockley did not conceal the fact that traditions and the special interests of the service branches often stand in the way of a re-orientation of resources. For example the British Navy feels that the Royal Navy can best be utilized as part of the SACLANT forces, e.g. the American Supreme Atlantic Command forces. It is hard to oppose that kind of thinking and at any rate it has prevented joint operations by British and Norwegian naval forces.

The British Army is an elite-oriented corps, built up primarily around tank divisions with interests linked to the level ground of central Europe. It is doubtful whether British security interests are best served by an armored Rhine army when the threat to Sjaelland and Jutland is mounting. If the air defense belt in this part of the NATO area should break down or be taken over by a force from the Warsaw Pact countries, Soviet long-range planes flying at low altitudes could strike at targets in Great Britain.

It is unlikely for a number of reasons that the British Army will be moved northward, but several steps have been taken to strengthen the northern flank. British air squadrons are earmarked for both Norway and Denmark and a ground force with transport helicopters will now reinforce the defense of the Danish straits, Farrar-Hockley said.

MILITARY

PORTUGAL

ALMODOVAR DEMANDS FOR NATO RADAR INSTALLATION

Lisbon DIARIO DE NOTICIAS in Portuguese 17 Aug 86 p 9

[Text] Conditions and attributes similar in some aspects to the Autonomous Region of the Azores are one of the demands of the Almodovar Municipality to agree to the installation of a NATO radar station in that Alentejo District. The president of the Almodovar Municipal Chamber, Antonio Saleiro, declared: "The tracking station is being analyzed by the constitutional court because the PCP raised the problem of its constitutionality. However, I do not see any impediment to its installation provided that they grant us counterpart compensation for the socioeconomic development of the Almodovar District. Nevertheless, we believe we have the right to demand the same treatment that is given to the Azores; we cannot accept things any other way."

When one enters the town of Almodovar one comes upon a plaque bearing the 12 stars of the European Community with the following inscription: "Almodovar Municipality of Europe," because the president of the chamber is a staunch supporter of the EEC and is currently a member of the permanent committee of the Council of Europe, as well as of the Problems of Reform and Organization of Territory, and the Urbanism and Local Powers committees of that organization. Added to all that, it is well to remember that Antonio Saleiro is a young local government chief, 33 years old, who is serving his second term as president of the chamber, the latter with an absolute majority.

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MILITARY

PORTUGAL

DETAILS ON, FUTURE PROSPECTS OF ARMED FORCES

Rome RIVISTA MILITARE in Italian Jul-Aug 86 pp 45-54

[Article by Col Giovanni Di Simone]

[Excerpts] We certainly do not claim to present something absolutely novel here; our press as a matter of fact has covered those fine soldiers many times during the entire series of annual NATO "Display Determination" exercises, starting with 1980; RIVISTA MILITARE in 1981 devoted a significant "pearl" of the "necklace" under the title "We Know our Armies" to them. But there is no dearth of inattentive readers; and then of course there are the new levies, in other words, those who have just begun to read, yesterday, that is: finally, we are in a position to supply some fresh and first-hand news obtained from a prestigious "observer," the FIASE [Allied Ground Forces Southeastern Europe] Command, which allowed us to take a close look at these Portuguese soldiers and to learn how to appreciate them.

In the following paragraphs we will present a summary picture of the present-day structure of the three services (according to the most recent data) and, to the extent that we can, we will describe the mission assigned to each within the national context and NATO.

The Army

The Army consists of about 46,000 men, including 40,000 draftees (who serve for a period of 16 months) and is organized as follows:

- 1 independent mixed brigade;
- 1 "Commando" Regiment (which can be increased to brigade strength);
- 2 cavalry regiments;
- 1 armored regiment;
- 14 infantry regiments, plus 1 independent battalion;
- 5 artillery regiments (including 3 field artillery, 1 AA artillery, 1 coast artillery) plus 2 independent groups;

2 Engineer regiments;

1 signal regiment;

1 Military Police regiment.

The principal combat equipment includes the following:

tanks: 66 M-48 A5 tanks; 125 "Saladin," "AML-60/90," and "Ferret" Mk 4 reconnaissance vehicles; 222 M-113, M-577 A2, and "Chaimite" APC's;

artillery: 24 140-mm guns; 20 M-101 105-mm prime-mover-drawn howitzers; 6 M-109 A2 155-mm SP howitzers; 20 107-mm mortars; 35 coastal pieces of various calibers.

AT: 45 recoilless 90-mm and 106-mm guns; 35 TOW wire-guided missile systems;

AA: 18 20-mm "Rh-202" pieces; 20 40-mm "Bofors"; 16 individual "Blowpipe" missile systems.

The units are stationed in four Military Regional Commands and two insular zone commands (the Azores and Madeira). They have general ground defense missions concerning national territory (including action required in response to natural disasters), as well as cooperation with the other services in coast and air space defense. The only major conventional unit (the previously mentioned mixed brigade which we will cover later on in greater detail) is "assigned" to NATO and, more specifically, would become a component of the strategic reserve of SACEUR, to be employed, as we said before, in the Southern Region of ACE [Allied Command, Europe].

The Navy

The Navy consists of about 14,000 men, including 2,000 Marines (3 battalions); draftees--in this case, the minority--number about 4,500 and they serve for 24 months. The fleet comprises 7 frigates, 10 corvettes, 10 motor-gunboats, 4 minesweepers, 3 submarines, 13 amphibious vessels, and 4 support ships. The main bases are Lisbon and Faro (on the southern coast).

Other than the direct defense of ports and coastal areas within territorial waters, which is an eminently national task, the Navy's other traditional and fundamental mission--the protection of maritime lines of communication--has a bivalent connotation, meaning that in it converge the interests of the nation as such (which gets 96 percent of its imported products by sea) as well as of the Alliance to which it belongs. This protection is aimed primarily at ASW and counter-mine measures. In this connection we must point out that the so-called "strategic triangle," made up of continental Portugal and the archipelagos of the Azores and Madeira, in effect represents an area whose control would assume decisive value for the purpose of supporting any possible military operations in the European Theater. On the other hand we have a rather anomalous situation here--and Portuguese authorities are demanding that it be corrected--by virtue of which the zone assigned to CINCIBERLANT

(Commander-in-Chief, Ibero-Atlantic Sector, one of the three major subordinate commands under Supreme Allied Command Atlantic, at Norfolk, which share that Ocean) does not include the Azores! Officially, about one-third of the naval units are assigned to NATO. We must furthermore mention the somewhat limited participation in STANAVFORLANT (Permanent Allied Naval Force, Atlantic), a multinational maritime task force with mostly "deterrence" assignments during periods of crisis, which can operate anywhere in the Atlantic Ocean.

The Air Force

With a personnel strength of about 14,000 men, including only 5,000 draftees (serving 21-24 months), the Air Force in its organizational setup has 13 combat squadrons, subdivided into various specialties, for a total of about 140 aircraft and 50 helicopters. The fixed-wing aircraft include the "Corsair" A-7P, the G-91 R3/T3 and R4/T3, the T-38, the C-212, and the C-130 models; rotary-wing aircraft include "Puma" and "Alouette" craft.

As we emphasized earlier, the rather unusual characteristics of the Portuguese military establishment include the fact that the paratroopers are completely under the Air Force. The paratroopers are today organized for operational purposes in a light brigade of about 3,000 men with three battalions which are structurally similar to the Italian "Folgore" [Airborne Division], to give the reader a rough idea. We need not dwell at length on the missions of this service and we only need keep in mind that this mission is tied to the intrinsic flexibility of the air arm in general, as well as the specific characteristics of the above-mentioned aircraft. We might say that the good tactical and strategic transport capabilities are joined by the optimum performance of the multipurpose "Corsair," which can be refueled in flight and which can go into action anywhere, both strictly within Portuguese jurisdiction and within the ACE. This very flexibility, combined with the successful standardization of procedures, furthermore permits a nimble "insertion" of aircraft available to NATO under the operational control of any ATAF (Allied Tactical Air Force).

As for the paratroopers--since, on the one hand, there is very little likelihood that they will be employed on metropolitan territory and, on the other hand, in view of the repeated participation of their units in NATO exercises also in Italy--it does not seem unreasonable to expect that they will rather soon constitute a brigade (for which organizational plans are now being drawn up) to be available for international operational commitment.

The 1st Independent Mixed Brigade

We must dwell particularly at length on this magnificent major unit which we mentioned a couple of times earlier although without giving it a specific name. We must above all keep in mind that the brigade represents the Army's "sinew," that it is directly under the Armed Forces General Staff, and that major efforts and attention are being devoted to it. We repeat, it is as a matter of fact the only elementary major unit of the "conventional" type which Portugal has and it is the only unit to be "assigned" to NATO. It is the direct heir of the 3rd Infantry Division (which we saw committed in support

of the Alliance from the very beginning of its organization); while the Division ceased to exist as such after the 1974 upheaval, we had to wait until May 1978 for the official establishment of the new unit.

In contrast to the parent unit, however, which was deliberately kept at always somewhat low operational readiness levels, the heir was created with the declared purpose of providing a constantly modern and efficient instrument. As of today, the Brigade--although it does not yet have optimum characteristics--is almost complete in organizational terms as regards personnel and equipment; above all, it is maintaining a high standard of efficiency and combat capability. It owes its designation "mixed" to the fact that it presents characteristics that are half-way between those of a motorized unit and those of an armored unit. It is organized as follows:

2 motorized battalions;

1 tank battalion (M-48 A5);

1 mechanized battalion (armed with TOW missiles);

1 field artillery group (with a portion of the prime-mover-drawn 105-mm pieces and a part of the 155-mm SP pieces);

1 reconnaissance company;

1 Engineer company;

1 signal company;

1 logistic battalion.

It consists of almost 5,000 men and is stationed in the country's north-central section, based essentially at Santa Margarida with an impressive support facility that permits the billeting of several detachments and the conduct of any type of training, including for the entire Brigade. The Portuguese authorities are really proud of their training effort. The undersigned had the good fortune of watching the commanders and soldiers at work, in activities not specifically designed for demonstration purposes, both at their various stations in their own home country and in the field, here in Italy, in Friuli; I can assure you that the NCO's and enlisted men have reached a level of technical-professional training that is of the first order.

Another sector that deserves looking into has to do with equipment maintenance; the extremely low failure percentage rate is both a peculiar feature and a point of honor for the entire Brigade.

A common factor in all detachments is the remarkable unit and discipline spirit.

Specifically referring to the operational terrain in Northeastern Italy, we can say that the Brigade began to show itself off to some observers in Italy in 1978. With the passage of time, the presence of this major unit gradually

became a regular and more substantial thing; starting with the first massive participation in the "Display Determination" '80 NATO exercise, the Brigade alternately placed under the operational control of COMLANDSOUTH (Allied Command, Ground Forces, Southern Europe) the CP's and units of various sizes and types, achieving an optimum level of "interoperability" with other NATO armed forces, Italian and otherwise, both in terms of doctrines and operational concepts as well as in the just as important area of human relations. Through this major unit, Portugal not only shows its flag but above all in specific terms expresses its own determination to tackle the tasks assumed within the Atlantic Alliance.

In concluding this article on the 1st Brigade, we do not want to omit a reference to the other Portuguese soldiers whom we saw operating in Italy; we are talking here about the paratroopers of the recently established brigade (recently, of course, in organizational terms); as we said before, the brigade is an integral part of the Air Force. We will not paraphrase a famous saying by a very well-known German marshal of the 1940's also because comparisons are always somewhat uncertain; but we can certainly say that the Portuguese paratroopers astonished the Italian paratroopers because of their excellent training level, because of their toughness and versatility which enabled them without any trouble to operate even in the Dolomites, side-by-side with the Italian Alpine troopers.

Future Prospects

The Portuguese Armed Forces are working hard--and this word also implies a marked morale impetus--to perfect their reorganization and to modernize and boost the support facilities and the equipment; in Portugal, the latter are considered indispensable requirements for keeping up with the times and being able to offer Europe worthy cooperation in military terms.

Recalling once again the words recently spoken by Defense Minister Machete, we can list the principal short-term objectives in the following order of priority:

construction of three new ASW frigates;

completion of allocations for the 1st Independent Mixed Brigade (especially as regards AA weapons and battlefield surveillance equipment);

operational readiness of a light airborne brigade;

purchase of new maritime patrol aircraft;

increasing the air transport fleet;

introducing (air defense) interceptors.

As we can well understand, this represents a financial effort of vast proportions which Portugal finds it rather difficult to make with its own funds; in this respect we must remember that the GNP presently does not exceed 3,000

billion escudos and that defense spending gets about 3 percent. The country has an urgent need for economic aid which it has requested from its allies; in substance, it promises solidarity in exchange for solidarity. Will the Alliance have confidence in this, its most worthy member, and will it never forget that the common liberty, for which the Portuguese soldiers are more than ready to fight, has an inestimable value and therefore deserves some pecuniary sacrifice? We will have to look into our crystal ball and come up with the answer which logic alone does not seem to be able to give us. For our part, we can only send our best wishes to the Portuguese soldiers!

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MILITARY

SPAIN

STATE SECRETARY FOR DEFENSE ON BUDGET, ARMS PURCHASES

Paris DEFENSE & ARMEMENT HERACLES INTERNATIONAL in French Jul/Aug 86 pp 59-60

[Interview with Eduardo Serra Rexach, secretary of state for defense, on Wednesday 30 April 1986, by Jean-Francois Daguzan]

[Text] On Wednesday 30 April we met with Eduardo Serra Rexach, secretary of state for defense in the Spanish government. Serra was born in Madrid in 1946, graduated with a degree in law and was a state advocate; he was appointed to the newly created office of under secretary of state for defense under the UCD government. Retained in office because of his outstanding ability and familiarity with the material by the socialist government, he naturally became secretary of state for defense when this position was created in 1984.

The state secretariat for defense is especially responsible for the economic aspects of defense.

[Question] Mr Secretary of State, we have observed a building up of the economic agencies of the department of defense since 1978; what conclusions should be drawn from this development?

[Answer] In fact, this development took place in two distinct stages:

The first was that of creation. Its effects were more formal than real. All the finance departments, which previously came under the former Military Ministries (Footnote 1) (Until 1977, there was no Ministry of Defense in Spain; each armed force was under the oversight of a separate ministry: the Ministry of the Army, the Ministry of the Airforce, and the Ministry of the Navy) and armed forces (such as the purchasing juntas, for example), were transferred as a group, but this had little effect because the armed forces in fact retained the right and power to make decisions.

The second stage began in 1981-1982 when the ministry tried to assume all authority in weapons policy (for example through the DGAM). Nevertheless, purchasing authority remained with headquarters.

This second stage was thus that of the recuperation and control of purchasing and resources by the Ministry of Defense.

It has not yet been an absolute success, but the process is under way and is operational.

The most significant success consists in the new relation with the defense industries, in which the Advisory Committee on Armaments and Materiel (Footnote 2) (The CADAM is a joint committee created in 1982, made up of military personnel, defense industry officials, and government officials. It has the task of analysing the arms contracts submitted to the Ministry of Defense, selecting national projects, cooperation or direct purchase abroad, and carrying out compensation studies) plays an important role.

The reform of this joint committee will make it possible to make these ties closer; furthermore, the creation of the Spanish Association of Defense Industries (AFARMADE) is a new step towards the pooling of energies.

Nevertheless, we are particularly pleased to have succeeded as regards purchasing in establishing medium- and long-term programming with real objectives, when nothing like it existed before.

These programs have required a long period of time to work out but they are operational. The ministry now controls everything, and is aware of all expenditures.

The ministry's primary goal remains as far as possible: to put an end to economic and technological dependence on foreign countries; to increase the national technological level; to open the country to the outside by means of international cooperation; to promote investment growth by a policy of reduction in personnel.

This policy was and is being followed by means of a twofold approach: programming on the one hand, and above all by systems specification.

The programs are holding together, and we are pleased with that. But our former position as an underdeveloped country in arms manufacture has necessitated a drastic definition of standards.

It should be realized that before 1982 there were no standards for contracts either at the Ministry of Defense, or at headquarters.

To make up for these deficiencies, we created a public company which is the exclusive property of the Ministry of Defense: the ISDEFE. This engineering company, unique in the world, is responsible for determining the standards for the arms necessary for our armed forces--arms that come from national industries or bought overseas.

Thus the ISDEFE is responsible for research and negotiations for the materiel involved in the RADITE (Automatic Integrated Digital Communications Network) project, and the modernization of the "Combat Grande" air alert and control system which will cost 100 million pesetas.

These measures must now be completed by a policy of high level civilian and military personnel recruitment by the Ministry of Defense by means of

attractive salaries.

[Question] What are the main features of the Ministry of Defense's arms policy?

[Answer] First of all, we must move cautiously, step by step; act with an iron hand in a velvet glove, if I may say so.

Secondly, we must act with conviction and determination, and also convince the various industrial, military, and business parties. Thirdly, our task is to unify, to have a very clear defense policy, which has not been the case for a very long period. Before, you see, there was no need to convince because there was no defense policy.

At each turn, we must define a policy in terms of national technological levels and industrial feasibility levels.

The emphasis is on electronics above all else. We want to increase our investments in electronics to three or four times their present level, just as the research and development resources of the ministry must be increased. Research and development are encouraged through contracts worked out with Spanish companies and by compensation of a technical nature negotiated as part of international contracts.

The European country with the youngest population must meet the challenge of the defense industry of the future. It is not a matter of competing with countries weak in technology but with the others, the leaders; that is the goal.

[Question] Spain wants to produce its future "Lynce" tank; several countries are competing to coproduce it or to sell the licence to manufacture this vehicle: West Germany with the Leopard II, Great Britain with the Valiant, and France with the conversion of the AMX 30's and the "Leclerc" main combat vehicle project. At what stage of development is the "Lynce" project?

[Answer] We are in two phases of making a decision, and will present our conclusions to the government before the end of the legislative term, i.e., before 22 June. The final choice depends on the government.

[Question] The greatest successes in Spanish arms exports have been won on Third World markets. Are you planning to continue that policy, or will there be a swing toward the European market?

[Answer] The European market does interest us, and we hope to penetrate it by means of reciprocal contracts. Thus France is buying a certain number of C-325 light transport aircraft from us in return for the purchase of 18 Super Puma helicopters for our army. Strategically, our intent is to target the European customer so as to attract the others!

[Question] Can you give us some examples of new markets?

[Answer] It is hard for me to give you an answer because the situation in this matter needs to be reconsidered. The Ministry of Defense plays only a small part in the export process. Our intent is to be a bit more active in this domain.

[Question] What are the areas of Spain's participation in the European Fighter Aircraft program?

[Answer] Spanish participation in the project will total 13 percent. The number of aircraft to be bought, however, remains to be negotiated. Furthermore, the ways in which responsibility for the manufacture of the aircraft is to be allocated are also subject to negotiation. It must be quite clear that we do not want to be Europe's workshop. It is out of the question that we will accept responsibility for secondary parts of the plane, as was the case in the past. We mean to play a role as a full-fledged partner, and at a significant technological level.

[Question] Spain's defense budget this year has undergone drastic cuts. Do you think that this could happen again, and in these circumstances, how will already threatened programs that were formulated as part of the 1982 planning law be completed?

[Answer] As a result of the economic situation and the government's overall objectives, we have all had to make sacrifices. The situation is disturbing. However, we have placed before the parliament a plan to extend the 1982 law so as to recover the lost funds as soon as possible.

Quite frankly, it is essential that the defense effort begun be maintained and continued.

[Question] To conclude, Mr Secretary of State, how do you view the results of military cooperation with France?

[Answer] Very good, very satisfactory! In the past there have been some unpleasant experiences, but we have now noted a genuine, significant change in attitude on France's part. We have reached genuine parity in cooperation relations, a real partnership relation, and the word here takes on all its meaning. Spain can play an important role in Europe, and the states are now convinced of the necessity of embracing genuine cooperation; the revitalization of the GEIP is one example. Relations of equality alone will permit real cooperation among Europeans. At the dawn of the year 2000, the European states will not be able to withstand the USA and Japan with a fragmented industry. Cooperation remains what is really at stake in the years to come.

9824

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MILITARY

SPAIN

MILITARY INSTALLATIONS AROUND MADRID TO BE REDUCED

Madrid EL PAIS in Spanish 3 Aug 86 p 16

[Article by Andres Manzano: "Madrid Does Not Want Military Installations"]

[Text] Madrid--The regional government has adopted the proposals of the Madrid City Hall regarding the feasibility of ridding the urban centers of military installations of large area, such as those of the troop quarters. With the mediation of the community's city planning officials and technicians, the Getafe and Mostoles town halls have already signed agreements for this purpose with the Ministry of Defense, and others are under way which will affect military installations in Leganes and Torrejon de Ardoz. The Alcala de Henares town hall, for its part, is negotiating for the evacuation of the old military prison located in the very center of the locality. Nevertheless, the Defense Ministry seems to be interested solely in the quarters located in urban centers, and the firing and practice grounds of Colmenar Viejo and Hoyo de Manzanares, the scenes of constant accidents of which the residents have been the victims, have been left out of the negotiations.

On 3 May, Community of Madrid Day, Joaquin Leguina, regional president, and Pedro Castro, mayor of Getafe, formally took possession of the grounds and buildings of the General Elorza barracks, headquarters of the No 13 Field Artillery Regiment. Some weeks earlier, plans had been devised to organize a great celebration, at which the highlight was to be the demolition, by the residents themselves, of the brick wall separating the barracks from the rest of the locality; but the shortage of time did not allow for its organization. Thus, the Getafe town hall has 36,000 square meters for a green zone, 54,700 square meters to be used for collective equipment, and 20,000 square meters to improve the accesses to the urban center. The Defense Ministry, on the other hand, is left with 39,000 square meters of land suitable for building.

The agreement is similar in the case of Mostoles. The Troop Group installed in the Huerta barracks will be evicted throughout this year. In this way, the town hall will procure 40,000 square meters of public land, and the building of housing at one of the corners of the future park will be made possible. At the present time, other agreements are being negotiated relating to the Saboya infantry barracks in Leganes (the regional government's proposal is to grant the Defense Ministry a building area of 52,000 square meters), and the Army motoring base in Torrejon de Ardoz.

The Alcala de Henares town hall, for its part, is negotiating directly with the Defense Ministry on the elimination of the military prison located in the downtown area of the urban center, as such. During the past few years, the town hall has acquired several military buildings located in the center, for reconversion into cultural premises and senior high schools. Alcala de Henares headquarters of the powerful Paratroopers Brigade and its backup elements, is another major town in the region wherein the presence of the military is most prominent. During the first years of the transition, there were frequent incidents led by extreme rightwing groups, whom rumors identified as sons of military men. Barberan y Collar Street is virtually a military street, and there are several clusters of military housing in the town, some of which, like the one located at the end of Los Colegios Street, is closed to the outside, on the row of houses serving as Civil Guard barracks.

Civilians and Military

During recent years, however, the civilian and military authorities have made efforts to have the usual civilian events and activities extended to the barracks. Evidence of this is the agreement signed by the Ministries of Culture and Defense (in the case of the Madrid region, with the cooperation of the General Directorate of Youth). The agreement calls for offering courses in introduction to reading, short courses in video and theater, as well as other activities, in five quarters distributed throughout the country (El Goloso, in Madrid).

The military presence in the rest of the region is no less significant than in the aforementioned towns and in the capital of Madrid. In addition to the Legion barracks, located on Leganes, opposite the Saboya barracks, the Getafe air base, and the grounds of the Recruit Instruction Center (CIR) in Alcala de Henares, now out of service, the list of the most prominent military installations would be as follows: the CIR, headquarters of the Special Operations Group (GOE) and the headquarters of the Land Army's Aircraft Forces (JEFAMET), including a heliport in Colmenar Viejo; the Navy's transceiver station, in San Sebastian de los Reyes; the joint Hispano-American base in Torrejon de Ardoz; the Superintendency Pool, of the Brunete Armored Division, in Pozuelo de Alarcon, where the Army's magazines are situated, on a site known as Retamares; the Central Armament Chemical Laboratory, in La Maranosa; the Young Civil Guards Academy, in Valdemoro; the transmission base and magazine installations, in Pozuelo de Alarcon; the Pavia Armored Cavalry Regiment, in Aranjuez; and the Engineers Instruction Regiment, in Hoyo de Manzanares. The Military Psychiatric Clinic is located in Ciempozuelos, and the Anti-Tuberculosis Sanatorium is in Guadarrama. To be included in the area of installations with military use are the two satellite stations in Robledo de Chavela, and those existing in Pinuecar and Los Santos de la Humosa, one in each municipality.

Firing Ranges

Firing and instruction ranges are located in Colmenar Viejo, Hoyo de Manzanares, Leganes, Paracuellos del Jarama (a testing ground for the CETME factory), and Pozuelo de Alarcon. The existence of the firing ranges is the factor that has

most often put a damper on the relations between military and civilians in Madrid. Madrid is a province with a small territorial area, in which the testing grounds have been tightly situated between the population groups. The case of the CETME testing ground in Paracuellos del Jarama illustrates the general situation: The cottages of an urban development, which is illegal, to be more exact, are located only 100 meters from the wiring that demarcates the field. It is not surprising that some "stray" bullets fly by, dangerously grazing the dwellings.

But the accidents with victims have increased, particularly at the firing ranges in Hoyo de Manzanares and Colmenar Viejo. In 1976, a bullet fired from the Hoyo firing grounds hit a cottage in Moralzarzal and seriously injured a 65-year old woman. On 6 May 1983, in Colmenar Viejo, Manuel Hernan Arroyo, a scrap metal dealer who was touring the firing range in search of metal scraps, was very seriously injured; and, 11 years earlier, a brother of the injured man was also hit by a howitzer bullet which amputated both of his legs.

For years, the Colmenar town hall has championed the residents' desire that the firing range be eliminated. Livestock raisers and residents of Hoyo de Manzanares and nearby towns hold the same position. Nevertheless, the representatives of the Defense Ministry who have carried out the negotiations with the regional government, through the Territorial Organization Consulting Office, have made it quite clear that the firing and instruction grounds are not negotiable, as many other installations appear not to be, with the exception of certain barracks which, because of their location, hemmed in by the urban centers, do not meet the minimal requirements for operating that their military status requires.

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